YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

Stock Code：1431



GLOBAL OFFERING





Joint Global Coordinators (In alphabetical order)

CREDIT SUISSE　MACQUARIE

Joint Sponsors, Joint Bookrunners and Joint Lead Managers (In alphabetical order)

中信建投國際 CSCI　CREDIT SUISSE　MACQUARIE

Financial Adviser

VMS

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

YuanShengTai Dairy Farm Limited

原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**1,221,484,000 Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**855,037,000 New Shares and 244,297,000 Sale Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**122,150,000 New Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$3.18 per Hong Kong Offer Share, plus 1% brokerage, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 each**
Stock code	**:**	**1431**

Joint Global Coordinators
(in alphabetical order)

CREDIT SUISSE MACQUARIE

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

中信建投國際 CSCI CREDIT SUISSE MACQUARIE

Financial Adviser

VMS

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

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

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around 20 November 2013 and, in any event, not later than 25 November 2013. The Offer Price will be not more than HK$3.18 and is currently expected to be not less than HK$2.49. If, for any reason, the Offer Price is not agreed to by 25 November 2013 between the Joint Bookrunners (on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

The Joint Bookrunners (on behalf of the Underwriters) may, with the consent of the Company (for itself and on behalf of the Selling Shareholders), reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at www.hkexnews.hk and on the Company's websites at www.ystdfarm.com and www.ystdairyfarm.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Hong Kong Stock Exchange. See "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Grounds for termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States except that the Offer Shares may be offered, sold or delivered to QIBs in reliance on Rule 144A or other exemption(s) from registration under the U.S. Securities Act or outside the United States in reliance on Regulation S under the U.S. Securities Act.

14 November 2013

Application lists open[2]	11:45 a.m. on Tuesday, 19 November 2013
Latest time to lodge **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Tuesday, 19 November 2013
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[4]	11:30 a.m. on Tuesday, 19 November 2013
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 19 November 2013
Application lists close	12:00 noon on Tuesday, 19 November 2013
Expected Price Determination Date	Wednesday, 20 November 2013
Announcement of the Offer Price, the level of indication of interest in the International Offering, results of the applications and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Monday, 25 November 2013
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, or Hong Kong business registration numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from	Monday, 25 November 2013
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Monday, 25 November 2013
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[5][7]	Monday, 25 November 2013
Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[6][7]	Monday, 25 November 2013
Dealings in Shares on the Stock Exchange to commence on	Tuesday, 26 November 2013

Notes:

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

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 19 November 2013, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this Prospectus. If the application lists do not open and close on Tuesday, 19 November 2013, the dates mentioned in "Expected Timetable" may be affected. A press announcement will be made by us in such event.

(3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus.

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

(5) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Tuesday, 26 November 2013 provided that: (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(7) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect refund cheques and (where applicable) share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, 25 November 2013. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus for details. Uncollected share certificates and refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this Prospectus.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in "Structure of the Global Offering" in this Prospectus.

CONTENTS

This Prospectus is issued by YuanShengTai Dairy Farm Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. Neither the Company nor the Selling Shareholders have authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by the Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.

	Page
EXPECTED TIMETABLE	i
CONTENTS	iii
SUMMARY AND HIGHLIGHTS	1
DEFINITIONS	18
GLOSSARY	32
FORWARD-LOOKING STATEMENTS	36
RISK FACTORS	38
WAIVERS AND EXEMPTIONS FROM COMPLIANCE WITH THE LISTING RULES	65
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	70
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	73
CORPORATE INFORMATION	78
INDUSTRY OVERVIEW	80
REGULATIONS	94

CONTENTS

	Page
HISTORY, DEVELOPMENT AND REORGANIZATION	109
BUSINESS	144
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	195
CONTINUING CONNECTED TRANSACTIONS	201
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	209
SUBSTANTIAL SHAREHOLDERS	223
CORNERSTONE INVESTOR	224
SHARE CAPITAL	226
FINANCIAL INFORMATION	229
FUTURE PLANS AND USE OF PROCEEDS	283
UNDERWRITING	284
STRUCTURE OF THE GLOBAL OFFERING	294
HOW TO APPLY FOR HONG KONG OFFER SHARES	303
APPENDIX IA — ACCOUNTANTS' REPORT	IA-1
APPENDIX IB — ACCOUNTANTS' REPORT — RUIXINDA GANNAN	IB-1
APPENDIX IC — ACCOUNTANTS' REPORT — YST HEPING	IC-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — INFORMATION REGARDING FEIHE DAIRY GROUP	V-1
APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	VI-1

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

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a dairy farming company in China dedicated to the production of super premium raw milk. As of 30 June 2013, we owned and operated two mega-scale dairy farms, namely, Kedong YST Farm and Zhenlai Farm Phase I, and two large-scale dairy farms, namely, Gannan Oumei Farm and Kedong Oumei Farm. We commenced commercial sales at our Kedong YST Farm and Zhenlai Farm Phase I in 2010 and 2011, respectively, and acquired Gannan Oumei Farm and Kedong Oumei Farm in September 2011. Although we have a relatively short operating history, our four dairy farms collectively raised 37,000 dairy cows and produced approximately 460 tonnes of raw milk per day as of 31 December 2012, and our average annual milk yield per cow was 8.9 tonnes in 2012, which was approximately 62% higher than China's industry average in the same year. We ranked No. 5 in China in terms of herd size as of 31 December 2012 and No. 4 in China in terms of raw milk production volume in 2012. Our standardized farming methods have enabled us to consistently produce raw milk of a quality that surpasses the EU raw milk quality standard, which is among the highest industrial standards for raw milk and other dairy products in the world, and to sell our raw milk at premium prices. In 2012, the average selling price of our raw milk reached approximately RMB4,100 per tonne, approximately 25% higher than the average selling price of raw milk from major production regions in China. As of 30 June 2013, we had a total of 38,788 dairy cows. The average selling price of our raw milk reached approximately RMB4,527 per tonne for the six months ended 30 June 2013, an increase of 10.9% from the six months ended 30 June 2012.

Our Farms

As of 30 June 2013, all of the dairy farms that we owned and operated were located within the Songnen Plain, which is comprised of parts of Heilongjiang and Jilin, the two most northeastern provinces in China. The Songnen Plain is considered a primary agricultural region in China. The Songnen Plain is composed of abundant pastures and arable land, and has a significantly higher average farmland per person than the national average, which ensures stable feed supplies for our current operations and future expansion plans. In particular, the Songnen Plain is located in a temperate zone similar to the world's foremost dairy regions, such as Brittany, France and Hokkaido, Japan. Like these major dairy regions, the Songnen Plain has the dry weather and cool temperatures to make it suitable for raising high-quality dairy cows and producing premium raw milk.

Our dairy farms, each having an actual designed capacity ranging from 6,000 to 18,000 dairy cows, are among the largest dairy farms in China, and are designed and constructed to have modern layouts and automated equipment to ensure high milk yields and cost efficiency. We have implemented rationalized farm designs and layouts, standardized operating procedures, centralized management functions and automated information systems at all of our farms, enabling us to enjoy efficient management and low operating costs. The following table summarizes the details of our existing farms as of 30 June 2013:

	Gannan Oumei Farm	Kedong Oumei Farm	Kedong YST Farm	Zhenlai Farm Phase I	Total
Location (province)	Heilongjiang	Heilongjiang	Heilongjiang	Jilin	N/A
Commencement of construction	2007	2007	2009	2010	N/A
Year of acquisition	2011	2011	N/A	N/A	N/A
Commencement of commercial production	November 2008	November 2008	October 2010	July 2011	N/A
Area (sq.m.)	986,333	384,000	784,000	1,066,667	3,221,000
Actual designed capacity (number of dairy cows)[(1)]	12,000	6,000	18,000	15,000	51,000
Operational scale	Large-scale[(2)]	Large-scale[(2)]	Mega-scale[(3)]	Mega-scale[(3)]	N/A
Number of milkable cows	5,909	3,565	7,408	4,003	20,885
Number of female calves and heifers	3,557	1,401	6,327	6,618	17,903
Spare capacity (number of dairy cows)[(4)]	2,534	1,034	4,265	4,379	12,212

Notes:

(1) The actual designed capacity is based on our farm design plan, confirmed by the construction contractor.

(2) A large-scale dairy farm refers to a farm with 1,000 heads and more.

(3) A mega-scale dairy farm refers to a farm with 10,000 heads and more.

(4) Representing the actual designed capacity deducted by the total number of dairy cows at our farms. We will maintain our self-bred heifers at our existing dairy farms, and transfer them to new farms after construction of the essential facilities at the new farms is completed.

Our Expansion Plan

We plan to build five additional farms in the Songnen Plain within the next three years, including one farm for educational tours, one farm dedicated to raising reserve cows and three farms for commercial production, and aim to attain a total herd size of approximately 100,000 dairy cows by 2017. In this regard, we have already acquired land for one of these new farms and are seeking to acquire land for the remaining farms. In addition, we are in the process of obtaining the requisite licenses and permits for Tiefeng Farm, Baiquan Farm and Kedong Yongjin Farm, and will obtain the licenses and permits for Honghai Farm and Sifang Farm in 2014. We seek to replicate our business model of operating mega-scale dairy farms at our future farms, which we expect will each have a capacity ranging from 12,000 to 15,000 dairy cows, with the exception of our new farm for educational tours. We believe that, in addition to increasing our milk production and sales volumes, the expansion of our business scale will enable us to increase our operating efficiency, optimize our systematic farm management and control our operating costs to achieve further economies of scale.

As of 30 June 2013, we did not incur any capital expenditure for these new farms. According to our current plan, for the years ending 31 December 2013, 2014 and 2015, we expect to incur capital expenditures of approximately RMB88 million, RMB729 million and RMB564 million, respectively, for the new farms. The projected capital expenditures for Tiefeng Farm, Baiquan Farm, Kedong Yongjin Farm, Honghai Farm and Sifang Farm is approximately RMB47 million, RMB329 million, RMB147 million, RMB429 million and RMB429 million, respectively. The estimated amount of expenditure may vary from the actual amount for a variety of reasons, including changes in market conditions, competition and other factors. The construction of these new farms will be funded using primarily the proceeds received from the Pre-IPO Investments and the Global Offering, loans from banks and cash flow from operations.

The table below summarizes the details of our new farms:

	Tiefeng Farm	Baiquan Farm	Kedong Yongjin Farm	Honghai Farm	Sifang Farm
Location (province)	Heilongjiang	Heilongjiang	Heilongjiang	Heilongjiang	Heilongjiang
Expected completion of construction[(1)]	Fourth quarter of 2014	Second quarter of 2015	Fourth quarter of 2014	Fourth quarter of 2015	Fourth quarter of 2015
Expected commencement of operation/ commercial production[(1)]	Fourth quarter of 2014	Second quarter of 2015	Fourth quarter of 2014	Fourth quarter of 2015	Fourth quarter of 2015
Designed capacity (number of dairy cows)	450	15,000	12,000	15,000	15,000
Purpose of construction	Educational tours	Commercial production	Raising of reserve cows	Commercial production	Commercial production
Size (sq.m.)	200,010	994,000	714,000	1,000,000	673,333

Note:

(1) We generally commence commercial production after construction of the essential facilities at the new farms is completed. As a result, the date of expected commencement of commercial production could be earlier than the date of expected completion of construction.

Because (i) we expect that each of our four existing farms will reach full capacity by the end of 2014, and (ii) the construction of a standard dairy farm will take approximately two years, we plan to commence construction of our new farms while our existing farms still have spare capacity. We will transfer our self-bred heifers to new farms after construction of the essential facilities at the new farms is completed. In addition, we plan to build five additional farms within the next three years as our herd size grows following the maturity of our self-bred calves and heifers. See "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations and Financial Condition — Size and expansion of our herd" for more information.

In addition, we intend to expand our business to encompass upstream operations, including the production and sale of feed and organic fertilizers by developing our own feed farms and through strategic cooperative arrangements with local farmers in neighboring regions. We believe that extending our business operations to include feed farming will help to ensure stable supplies of quality feed for our operations, as well as to diversify our revenue streams. In particular, the plantation of corn, which is the primary feed for our dairy cows, will provide us with access to silage and corn feeds of higher quality which we expect will enable us to increase our annual milk yield per cow while maintaining, or further improving, our high milk quality. To promote our own self-sufficiency and the environmental sustainability of our operations, we also plan to recycle a portion of the processed waste from our operations through our recycling systems to produce fertilizers. Furthermore, we plan to develop strategic relationships with renowned international and domestic brands and leaders in the dairy sector to expand downstream into China's high-end dairy products market. We intend to broaden our customer base and gain market recognition in the dairy products industry. As of the Latest Practicable Date, we did not have a definitive timetable set for commencing our upstream operations or any concrete plans for the downstream expansion of our business.

Our Super Premium Raw Milk

According to *Euromonitor International* and based on its trade interviews with industry experts and dairy farming companies, the raw milk we produce falls into the classification of super premium raw milk, which typically has an average selling price higher than RMB4,000 per tonne in major production regions in 2012. As a commonly adopted industry standard, raw milk quality is assessed based on four indicators, namely microbe count, SCC, protein content and fat content. The average microbe count and SCC of our raw milk are as low as 4K/ml and 162K/ml, respectively, while the average percentages of protein and fat of our raw milk are as high as 3.4% and 4.2%, respectively. The table below sets forth the average key milk quality indicators of our raw milk compared to the average indicators of raw milk produced by the top ten dairy farming companies in China, as well as the key indicators under the China Standard and the EU Standard:

	Our Group[(1)]	Average among top ten dairy farming companies in China[(2)]	China Standard[(3)(4)]	EU Standard[(4)(5)]
Safety Standard				
Microbe count[(6)]	4K/ml	143K/ml	≤2,000K/ml	≤100K/ml
SCC[(6)]	162K/ml	370K/ml	N/A	≤400K/ml
Nutritional Standard				
Protein[(7)]	3.4%	3.2%	≥2.8%	N/A
Fat[(7)]	4.2%	3.8%	≥3.1%	N/A

Notes:

(1) Indicators according to our inspection report before delivery of raw milk in 2012.

(2) Calculated by averaging each of the four quality indicators of raw milk produced by the top ten dairy farming companies in China, including us, in terms of raw milk production volume in 2012 according to *Euromonitor International.* See "Industry Overview — Dairy Farming Industry in China — Competitive Landscape of the Dairy Farming Industry in China."

(3) As set forth in the National Food Safety Standard — Raw Milk published on 26 March 2010.

(4) Indicators for freshly milked raw milk and before treatment.

(5) As set forth in the Raw Milk Quality Standards in Council Directive 92/46/EEC of 16 June 1992 adopted in the EU.

(6) Microbe count and SCC are two of the major indicators used to determine safety quality of raw milk. Generally a lower SCC indicates better animal health, while a lower microbe count indicates improved sanitation. The China Standard does not impose a maximum SCC requirement.

(7) Fat content and protein content are two major indicators used to determine the nutritional value of raw milk. Generally a higher fat and protein content indicates higher quality. The EU Standard does not impose a minimum fat or protein requirement.

Sources: Ministry of Health of the PRC, EUR-Lex, a database of EU Law and Euromonitor International

As measured by the safety standard and nutritional standard, our raw milk is considered the safest and most nutritious in China and therefore is in high demand among leading domestic dairy products manufacturers. During the Track Record Period, Mengniu Group and Feihe Dairy Group, two of China's top dairy brands, sourced our super premium raw milk primarily for the production of their high-end dairy products. For the year ended 31 December 2012 and the six months ended 30 June 2013, we generated RMB689.1 million and RMB385.1 million from sales of 168,070 tonnes and 85,079 tonnes of raw milk, respectively.

Our Contemplated Collaboration

We enjoy wide recognition for our large operating scale and the premium quality of raw milk. Leveraging our leading position in the premium raw milk supply chain and the quality of our raw milk, we plan to partner with world-renowned dairy products manufacturers and dairy farm operators to expand our business, continue to build our brand and improve breeding technologies in China. For example, in June 2013, we entered into a non-legally binding memorandum of understanding with Select Services, a U.S. dairy products supplier and dairy farm operator, contemplating a joint collaboration arrangement with respect to certain aspects of our operations, including importing quality embryos into China, advancing heifer breeding techniques and know-how, licensing and adopting innovative milk processing and dispensing technologies, and designing and building dairy facilities, to improve our overall operating efficiency and profitability. We expect to enter into one or several definitive agreements, comprising a set of collaboration agreements on the foregoing aspects of our operations, by the end of 2013. We are currently in the process of negotiating an agreement on importing embryos with Select Services. We expect that this arrangement will bring us new business opportunities and future profit growth, while also enhancing our corporate image.

Our Customers and Suppliers

During the Track Record Period, our top five customers were Yili Group, Mengniu Group, Feihe Dairy Group, Bright Dairy Group and Aibeite, a majority of which are leading dairy products manufacturers in China. Our revenue from these five customers collectively accounted for almost all of our total revenue during the Track Record Period. We source a majority of feed products from carefully selected feed suppliers in China to ensure reliable and high-quality feed supplies. We also procure approximately 50% to 80% of our alfalfa supplies from U.S. suppliers and a portion of oat supplies from Australian suppliers through either third-party domestic trading companies or agents. In addition, we purchase the semen of selected bulls from Canadian and U.S. suppliers either directly or through third-party domestic trading companies. Historically, we procured Holstein heifers aged at six to 16 months which were imported from Uruguay, New Zealand and Australia. Our five largest suppliers are all feed suppliers, together accounting for 44.1%, 19.3%, 35.0% and 21.9% of our total purchases for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

Our Operating History and Track Record

Although we have a limited operating history and commenced commercial sales of raw milk in October 2010, we experienced significant growth during the Track Record Period. Our total revenue increased from RMB0.3 million in 2010 to RMB148.8 million in 2011, and to RMB689.1 million in 2012. Our total revenue increased from RMB327.4 million for the six months ended 30 June 2012 to RMB385.1 million for the six months ended 30 June 2013. Our gross profit increased from RMB113,000 in 2010 to RMB51.4 million in 2011, and to RMB260.5 million in 2012. Our gross profit increased from RMB127.3 million for the six months ended 30 June 2012 to RMB150.5 million for the six months ended 30 June 2013. The acquisition of two additional dairy farms in September 2011 and expansion in 2011 of the herd size at our first two dairy farms contributed significantly to the increase in our total revenue and gross profit in 2011. The continued expansion of our overall herd size across all four of our farms contributed to the further increase in our total revenue and gross profit in 2012 and further in the first half of 2013. Our profit for the year, excluding unrealized fair value gains on biological assets, was RMB2.5 million, RMB180.0 million and RMB192.0 million for the years ended 31 December 2010, 2011 and 2012, respectively. Our profit for the period, excluding unrealized fair value gains/losses on biological assets, was RMB90.7 million and RMB116.1 million for the six months ended 30 June 2012 and 2013, respectively.

The following table sets forth a breakdown of our revenue and gross profit by dairy farm for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Kedong Oumei Farm	N/A	N/A	60,322[(1)]	21,668[(1)]	245,082[(2)]	85,028	123,783[(2)]	45,130	73,236	27,475
Gannan Oumei Farm	N/A	N/A	42,509[(1)]	13,893[(1)]	187,619	71,402	93,502	37,452	103,360	39,278
Kedong YST Farm	337	113	28,400	10,517	127,028	52,173	43,559	17,608	139,404	54,561
Zhenlai Farm Phase I	N/A	N/A	17,554	5,303	129,384	51,880	66,538	27,063	69,234	29,148
Total	337	113	148,785	51,381	689,113	260,483	327,382	127,253	385,234	150,462

Notes:

(1) We acquired Kedong Oumei Farm and Gannan Oumei Farm in September 2011. As a result, we recorded the revenue and gross profit from these two farms for the three months ended 31 December 2011.

(2) Our revenue generated from Kedong Oumei Farm for the year ended 31 December 2012 was high primarily due to the large number of milkable cows at Kedong Oumei Farm from January to November 2012. As of 31 December 2012, the number of milkable cows at Kedong Oumei Farm decreased to 3,924, mainly due to the internal title transfer of 7,033 dairy cows, including 3,882 milkable cows, from Kedong Oumei Farm to Kedong YST Farm in December 2012. This was also the primary reason that Kedong Oumei Farm generated higher revenue for the six months ended 30 June 2012, compared to the other three farms.

OUR RELATIONSHIP WITH FEIHE DAIRY GROUP

Feihe Dairy Group is based in Heilongjiang and is principally engaged in the production and distribution of milk powders and other dairy products in China.

Our founder, Mr. HL Zhao, who was an entrepreneur in various industries, has past experience in raising dairy cows and cattle management in Heilongjiang Province. With this background, he has been paying attention to the development of the dairy farming industry in China from time to time. In 2007, the General Office of the State Council of the PRC promulgated the *Opinions of the State Council on Promoting the Sustainable and Healthy Development of Dairy Industry* (《國務院關於促進奶業持續健康發展的意見》) which indicated the government's emphasis on achieving a sustainable development of China's dairy industry. Subsequently in 2008, following the melamine incident, the PRC Government introduced more stringent control measures and food safety laws to ensure the safety of domestic dairy products, while local governments such as Heilongjiang provincial government also promulgated and implemented favorable policies to encourage the growth of the dairy farming industry in the region and the operation of large-scale modernized dairy farms. Leveraging the opportunities in the dairy farming industry and recognizing Feihe Dairy Group's reputation, experience and business network in the dairy business in Heilongjiang, Mr. HL Zhao, being a long time acquaintance and business partner of the controlling shareholder of Feihe Dairy Group, sought advice and assistance from Feihe Dairy Group with respect to matters such as choice of farm location, construction and operation of dairy farms, liaison with local government entities as well as on government incentive policy. Given that Mr. HL Zhao's intention to enter into dairy farming industry was in line with Feihe Dairy Group's own business objective to ensure a stable source of supply of raw milk in Heilongjiang, Feihe Dairy Group agreed to assist Mr. HL Zhao to his request. As a result, to facilitate the relevant regulatory process for establishing our businesses, when YST Heilongjiang was first established, among all 12 registered equity-holders, 11 of them were then existing and previous employees of Feihe Dairy Group. All the 11 registered equity-holders held equity-interests in YST Heilongjiang on trust for the benefit of Mr. HL Zhao. In February 2010, all such employees of Feihe Dairy Group (except Mr. Wang Shaogang, an executive Director) terminated their entrusted shareholding arrangements with Mr. HL Zhao by ceasing to be registered equity holders of YST Heilongjiang.

In line with our strategy of expanding our operations, in September 2011, we completed the acquisition of Gannan Oumei Farm and Kedong Oumei Farm from Feihe Dairy Group and Mr. Ma Jinyan (then an employee of Feihe Dairy Group) and since then have taken over the existing raw milk production business at these two farms.

In 2010, when we were in the initial stage of our commercial production, sales made to Feihe Dairy Group accounted for all of our revenue. As a result of our growth and the diversification of our customer base, we were able to reduce our overall customer concentration and our sales to Feihe Dairy Group, one of our top five customers, decreased to 35.5% and 13.3% of our revenue for the years ended 31 December 2011 and 2012, respectively.

During the Track Record Period, we obtained financial assistance from Feihe Dairy Group in the form of guarantees for our bank borrowings. As of 31 December 2010, 2011 and 2012 and 30 June 2013, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million, RMB365.0 million and RMB349.0 million, respectively. All guarantees by Feihe Dairy Group had been released as of the Latest Practicable Date. On 31 January 2011, Feihe Dairy HLJ paid RMB68.6 million on our behalf to a local heifer importer as a portion of the total purchase price of RMB132.8 million for the procurement of 8,300 Holstein heifers from Uruguay. We fully settled such amount with Feihe Dairy HLJ in June 2013.

During the Track Record Period, we supplied raw milk to Feihe Dairy Group to settle the consideration for acquisition of two dairy farms, and RMB18.0 million, RMB91.7 million and RMB63.0 million was recognized as our revenue from such supplies for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, respectively. As of 30 September 2013, we had outstanding payables of RMB403.6 million due to Feihe Dairy Group as part of the remaining consideration, which will be settled, in quarterly installments, by delivery of raw milk or in cash pursuant to the supplemental agreement we entered into with Feihe Dairy Group in April 2013. We expect to settle such consideration in full by supply of raw milk to Feihe Dairy Group.

Feihe Dairy Group (comprising Feihe Dairy HLJ and its subsidiaries) is not a connected person of the Company for the purpose of Rule 14A.11 of the Listing Rules. However, due to our past relationship and transactions with Feihe Dairy Group as disclosed in "History, Development and Reorganization — Our Relationship with Feihe Dairy Group," it is deemed by the Stock Exchange as a connected person pursuant to Rule 14A.06 of the Listing Rules.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths contribute to our leading position in China's dairy farming industry:

- We produce raw milk of the highest quality in China.
- Strategically located in Heilongjiang and Jilin, our farms benefit from favorable geographical conditions and supportive government policies.
- We are a leading dairy farming company in China in terms of herd size and, by leveraging our management expertise, we are able to operate mega-scale dairy farms with high milk yield and enjoy economies of scale.
- We have established solid and stable customer relationships with certain top dairy companies in China.

- Our capable management team and experienced personnel have extensive industry experience that ensures the successful development of our business.

OUR BUSINESS STRATEGIES

Our principal business objective is to maintain and further strengthen our position in China as a leading dairy farming company. Key strategies for reaching our goal are as follows:

- Expand our business scale through the replication of our business model in strategic locations
- Enhance our brand recognition in China's dairy sector by developing downstream distribution channels and penetrating the high-end dairy products market
- Enhance our feeding, breeding and production technologies to maximize our production efficiency
- Diversify our revenue stream by expanding our business to encompass upstream operations

OUR HISTORY AND DEVELOPMENT

The history of our Group can be traced back to September 2008 when our first operating subsidiary, YST Heilongjiang, was established, which started our primary business of dairy farming. The following table contains some brief details of the date of establishment and principal activities of our dairy farming operating subsidiaries as of the Latest Practicable Date:

Entity	Date of establishment	Principal activities
YST Heilongjiang	5 Sept 2008	Operation of Kedong YST Farm/Investment holding
YST Zhenlai	9 July 2009	Operation of Zhenlai Farm Phase I
YST Heping	3 July 2007(1)	Operation of Kedong Oumei Farm
Ruixinda Gannan	9 July 2007(1)	Operation of Gannan Oumei Farm

Note:

(1) Completion of acquisitions of YST Heping and Ruixinda Gannan by Ruixinda took place in September 2011. Prior to such acquisition, YST Heping and Ruixinda Gannan were not part of our Group.

For the purpose of financing the construction and operations of the dairy farms by our PRC subsidiaries, we have received several advances in aggregate of RMB477.8 million from certain individual and corporate entities, including HLJ Beian NKTH, Ms. Song Miao, Ms. SX Li, Mr. Liu Chengmin and Mr. Mao Haifei, during the period between December 2010 and April 2012. As of 13 May 2013, such amount was repaid to the respective creditors in full.

For further details, see "History, Development and Reorganization" in this Prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders consist of Mr. HL Zhao, Mr. HY Zhao, ZHL Asia Limited and ZHY Asia Limited.

We have full control over our assets to continue our business independently of our Controlling Shareholders. We do not rely on our Controlling Shareholders for our operations, technology, product development, production, staffing or marketing, although we have certain feed-purchase transactions with entities directly or indirectly controlled by Mr. HL Zhao as disclosed in this Prospectus. Our

Directors and senior management conduct our business with established systems and arrangements in place. Our organizational structure is made up of functional departments, each with specific areas of responsibility. We have also established a set of internal controls to facilitate the effective operation of our business.

During the Track Record Period, we financed our operations partly through borrowings from our Controlling Shareholders and their respective associates. As of 31 December 2010, 2011 and 2012, we had obtained interest-free borrowings of RMB16.2 million, RMB267.5 million and RMB341.0 million, respectively, from our Controlling Shareholders or their associates. We did not have any interest-free borrowings from our Controlling Shareholders or their associates as of 30 June 2013. As of the Latest Practicable Date, all loans, advances and balances due to and from our Controlling Shareholders had been fully settled, and all security and guarantees by them in connection with our borrowings were fully released. Save as mentioned above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates financed our operations during the Track Record Period.

During the Track Record Period, we entered into certain feed-purchase transactions with entities directly or indirectly controlled by Mr. HL Zhao. The feed-purchase transactions are expected to continue after the Listing. These transactions are governed by agreements entered into in the ordinary course of our business and on terms which we believe are fair and reasonable, and we are entitled to choose third parties who can provide the relevant products to us upon comparable terms.

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Each of our Controlling Shareholders has given a deed of non-compete and other undertakings in favor of the Company (for itself and for the benefits of its subsidiaries) on 7 November 2013 in relation to the non-participation in certain business activities which may compete with our business.

For further details, see "Relationship with Our Controlling Shareholders" in this Prospectus.

PRE-IPO INVESTMENTS

On 28 March 2013, the Company, Mr. HL Zhao, ZHL Asia Limited and the BVI Subsidiary entered into the Pre-IPO Subscription Agreements (and other Pre-IPO Investment Agreements) with each of the Pre-IPO Investors, namely Ares, OCBC and KNI (as supplemented by (among other documents) supplemental agreements all dated 15 May 2013), pursuant to which each of Ares, OCBC and KNI subscribed for 5,201, 5,044 and 5,044 Shares, respectively, at a consideration of the US$ or HK$ (as the case may be) equivalent to RMB206,220,500, RMB200,000,000 and RMB200,000,000, respectively. The expected percentages of shareholding of each of Ares, OCBC and KNI immediately following completion of the Global Offering and the Capitalization Issue (having taken into the number of Sale Shares initially sold by them under the International Offering, but without taking account of any Sale Shares to be sold upon the exercise of the Over-allotment Option) are 4.82%, 4.66% and 4.66%, respectively. We believe the Pre-IPO Investments demonstrate the confidence of the Pre-IPO Investors in our operation of our dairy farms and their recognition of the past performance of our Group. We also believe the Pre-IPO Investments serve as an endorsement of our strengths and prospects.

For further details, see "History, Development and Reorganization — Pre-IPO Investments" on page 127 of this Prospectus.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following summary historical data of consolidated statements of comprehensive income and the consolidated statements of financial position set forth below have been derived from the Accountants' Report included as Appendix IA to this Prospectus and should be read in conjunction with our consolidated financial information included in "Appendix IA — Accountants' Report," which has been prepared in accordance with IFRS.

Summary Consolidated Statements of Comprehensive Income

The following table sets forth the data from our consolidated statements of comprehensive income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	**337**	**148,785**	**689,113**	**327,382**	**385,129**
Cost of sales	(224)	(97,404)	(428,630)	(200,129)	(234,667)
Gross profit	**113**	**51,381**	**260,483**	**127,253**	**150,462**
Other income	6,461	2,585	17,513	1,505	10,018
Gains on bargain purchase	—	164,417	—	—	—
Gains from non-interest bearing financial arrangements	—	—	—	—	49,195
Selling and distribution expenses	—	(3,294)	(17,383)	(8,052)	(9,248)
Administrative expenses	(3,548)	(10,969)	(22,843)	(10,363)	(26,191)
Finance costs	(525)	(24,170)	(45,742)	(19,635)	(58,180)
Changes in fair value less costs to sell of biological assets	5,608	9,903	17,713	15,400	(16,462)
Profit before tax	**8,109**	**189,853**	**209,741**	**106,108**	**99,594**
Income tax expense	—	—	—	—	—
Profit for the year/period	**8,109**	**189,853**	**209,741**	**106,108**	**99,594**
Adjusted profit for the year/period[(1)]	2,501	15,533	192,028	90,708	66,861
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations	—	—	—	—	(2,440)
Total comprehensive income for the year/period	**8,109**	**189,853**	**209,741**	**106,108**	**97,154**

Note:

(1) Adjusted profit for the year/period represents profit for the year/period excluding (i) changes in fair value less costs to sell of biological assets, (ii) gains on bargain purchase, and (iii) gains from non-interest bearing financial arrangements. The adjusted profit for the year/period is not a standard measure under IFRS. We have included the adjusted profit for the year/period as a supplemental financial measure to assess our operating performance. The adjusted profit for the year/period should not be considered independently, or construed as an alternative to profit for the year/period or as an indicator of our operating performance or profitability.

Selected Consolidated Statements of Financial Position

The following table sets forth selected data from our consolidated statements of financial position as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	701,114	2,156,516	2,360,248	2,453,251
Current assets	125,264	229,910	233,007	594,118
Current liabilities	507,582	1,402,214	1,704,308	1,312,248
Net current liabilities	(382,318)	(1,172,304)	(1,471,301)	(718,130)
Net assets	190,876	380,729	590,470	1,143,130

Selected Consolidated Statements of Cash Flows

The following table sets forth selected data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash and cash equivalents at beginning of year	38,604	73,882	17,419	17,419	7,748
Net cash flows from operating activities	213,146	74,706	128,837	21,267	23,044
Net cash flows used in investing activities	(299,188)	(563,735)	(219,320)	(43,853)	(162,161)
Net cash flows from financing activities	121,320	432,566	80,812	28,205	539,088
Net increase/(decrease) in cash and cash equivalents	35,278	(56,463)	(9,671)	5,619	399,971
Effect of foreign exchange rate changes, net	—	—	—	—	250
Cash and cash equivalents at end of year	73,882	17,419	7,748	23,038	407,969

Other Financial Information

The following table sets forth other financial information for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gains on bargain purchase	—	164,417	—	—	—
Gains from non-interest bearing financial arrangements	—	—	—	—	49,195
Changes in fair value less costs to sell of biological assets	5,608	9,903	17,713	15,400	(16,462)
Adjusted net profit margin[(1)]	742.1%	10.4%	27.9%	27.7%	17.4%

Note:

(1) Adjusted net profit margin is calculated by finding the adjusted profit for the year/period as a percentage of the revenue for the same year/period. Adjusted profit for the year/period represents profit for the year/period excluding (i) changes in fair value less costs to sell of biological assets, (ii) gains on bargain purchase, and (iii) gains from non-interest bearing financial arrangements.

We recorded a one-time bargain purchase gain of RMB164.4 million, representing the difference between the purchase consideration and the fair value of the acquired assets, in our financial statements when we acquired Kedong Oumei Farm and Gannan Oumei Farm in September 2011. See "Financial

Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Gains on bargain purchase" on page 244 of this Prospectus for more information.

For the six months ended 30 June 2013, pursuant to the supplemental agreement we entered into with Feihe Dairy Group in April 2013, the due date of the consideration payable was extended to 2015 without any interest. An imputed interest gain of RMB49.2 million was recognized for such non-interest bearing financial arrangements. For more information on the fluctuation of gains from non-interest bearing financial arrangements, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Gains from non-interest bearing financial arrangements" on page 245 of this Prospectus.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012, we had gains arising from changes in fair value less costs to sell of biological assets of RMB5.6 million, RMB9.9 million, RMB17.7 million and RMB15.4 million, respectively. For the six months ended 30 June 2013, we had losses arising from changes in fair value less costs to sell of biological assets of RMB16.5 million. For more information on the fluctuation of fair value gains/losses and related valuation methodology of biological assets, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Changes in fair value less costs to sell of biological assets" on page 247 of this Prospectus.

For more information on the fluctuation of our adjusted net profit margin, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Year ended 31 December 2012 compared with year ended 31 December 2011 — Profit for the year" on page 256 and "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Year ended 31 December 2011 compared with year ended 31 December 2010 — Profit for the year" on page 258 of this Prospectus.

Key Operating Data

The following table sets forth our key operating data for the periods and as of the dates indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
Raw milk sales volume for the year/period (tonnes)	95	35,722	168,070	80,209	85,079
Raw milk sales for the year/period (RMB '000)	337	148,785	689,113	327,382	385,129
Average selling price of raw milk for the year/period (RMB per tonne)	3,547.4	4,165.1	4,100.2	4,081.6	4,526.7
Milkable cows as of the year/period end	97	14,950	20,643	20,456	20,885
Calves and heifers as of the year/period end	7,796	17,269	16,357	15,340	17,903
Total number of dairy cows as of the year/period end	7,893	32,219	37,000	35,796	38,788

APPROACH AND KEY ASSUMPTIONS FOR BIOLOGICAL ASSET VALUATION

The Market Approach is adopted to value calves and heifers. The Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established market may be valued by this approach.

The market price of heifers approximately 14 months of age is a major assumption in this approach, and is determined by referring to the latest average purchase price of heifers of the same age. The fair values of calves and heifers belonging to age groups of less than 14 months are determined by subtracting the breeding costs required to raise the cows from their respective specific ages to 14 months of age with necessary adjustments. The fair values of heifers older than 14 months of age are determined by adding the breeding costs required to raise the dairy cows from 14 months of age to their respective specific ages with necessary adjustments. The prices of 14-month old heifers used in the valuation were RMB19,000, RMB21,000, RMB22,000 and RMB21,000 per head as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

The Income Approach is adopted to value milkable cows for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013. The Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present value of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

The fair value of the milkable cows is developed through the application of the income approach technique known as multi-period excess earnings method ("MEEM"). MEEM is a derivative of the discounted cash flow ("DCF") method. Using this technique, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") estimates the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefits, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are net off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in generating the income projection of the subject biological assets. Examples of such assets include fixed assets and assembled workforce.

During the Track Record Period, the principal valuation assumptions adopted in applying the DCF approach are as follows:

General key assumptions

- the dairy cows are classified into the following categories: milkable cows, heifers, female calves and male calves;
- the milkable cows are supposed to produce milk and give birth to female and male calves at each lactation cycle, the new born male calves will be sold right after birth, and the female calves will be raised up. The calf birth rates (male to female birth ratio) are estimated based on historical record;
- the calf interval (including dry period and open days) is estimated based on historical data and is assumed to be 400 days (each milkable cow will give birth to a calf every 400 days). This 400-day period is one lactation cycle in this valuation exercise;
- the number of the existing cows at the end of each reporting period will be reduced at a certain culling rate due to both natural and unnatural factors, as applicable; the culling rate adopted for each of the first to six lactation cycles is approximately 10%, 13%, 15%, 23%, 35% and 100%, respectively, for milkable cows. These rates are based on the historical breeding data of our herd and future operating plans;

Key assumptions related to revenue

- the average milk yield during the projected period of six lactation cycles, which is the estimated amount of milk that may be produced by a cow. These yields are assumed according to the historical breeding data of our herd and projection in accordance with

industry practice. Milk yield is typically low during the first lactation cycle of a cow, compared to when a cow reaches its peak level during the third and fourth lactation cycles, and then decreases in the following lactation cycles;

- the expected average selling prices of raw milk are estimated based on historical data, and are estimated after taking into account a certain percentage of growth for each projected period after considering future inflation in China;
- the prices of female heifers (given birth by milkable cows) at about 14 months of age is determined by referring to the market prices close to each valuation date;

Key assumptions related to costs

- costs are average costs based on historical cost information, and are estimated after taking into account a certain percentage of growth for each projected period after considering future inflation in China; the costs estimated in the cash flow mainly include feed costs, medicine and vaccination costs, insemination costs, labor and other indirect costs, administrative costs and transportation costs; and

Discount rate assumption

- the discount rates used were 14.0%, 14.7% and 13.8% as of 31 December 2011 and 2012 and 30 June 2013, respectively. JLL used the widely accepted Capital Asset Pricing Model ("CAPM") to determine the discount rate. The parameters adopted in CAPM include risk free rate, market risk premium and data of comparable listed companies with the same or similar businesses and location. The procedures employed and assumptions considered in determining the discount rate are consistent with market practice and in line with other dairy cow valuation exercises. For a sensitivity analysis of the fair value changes of our dairy cows to changes in milk prices, discount rates applied, yield per milkable cow and feed costs, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk — Fair value change sensitivity analysis."

For more details, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Changes in fair value less costs to sell of biological assets" on page 247 of this Prospectus.

RECENT DEVELOPMENTS

Recent Developments in Our Group

In 2013, our average selling price of raw milk increased from RMB4,790.4 per tonne in July and RMB4,807.9 per tonne in August to RMB5,044.3 per tonne in September mainly because the supply of quality raw milk in China continued to decrease in the second half of 2013, which was attributable to the increased culling of cows by individual and small-scale farms due to low cost efficiencies. Our net current liabilities increased by RMB366.5 million, from RMB718.1 million as of 30 June 2013 to RMB1,084.6 million as of 30 September 2013, mainly because we repaid long-term bank loans in cash of approximately RMB349 million during the third quarter of 2013.

Our Directors confirm that, up to the date of this Prospectus, there had been no material adverse change in our business, results of operations, financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 June 2013, being the date of the latest audited consolidated financial statements of our Group.

Recent Developments in Our Industry

As media reports calling into question the safety and pricing of China's dairy products continued to emerge in recent months, the PRC Government has been progressing towards enhanced regulation of China's dairy industry through a series of policies and measures aimed at promoting industry

consolidation and improving the safety and quality of raw milk. We believe that market players who develop and provide safe and high-quality raw milk and/or dairy products, like us, will benefit from such policies and regulations. For more details, see "Industry Overview — The Market for Dairy Products in China — Recent Developments in the Dairy Products Market in China" on page 84 of this Prospectus.

OFFERING STATISTICS

	Based on an Offer Price of HK$2.49 per Share	Based on an Offer Price of HK$3.18 per Share
Market capitalization of our Shares[(1)]	HK$9,733 million	HK$12,430 million
Unaudited pro forma adjusted net tangible asset per Share[(2)]	HK$0.96	HK$1.13

Notes:

(1) The calculation of market capitalization is based on 3,908,747,000 Shares expected to be in issue and outstanding following the completion of the Global Offering and the Capitalization Issue.

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" in this Prospectus and on the basis of 3,908,747,000 Shares in issue at the respective Offer Prices of HK$2.49 and HK$3.18 pursuant to the Global Offering.

DIVIDEND POLICY

Our Group did not declare any dividends during the Track Record Period. After completion of the Global Offering, our Shareholders will be entitled to receive any dividends that we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Bermuda Companies Act, including the approval of Shareholders.

LISTING EXPENSES

The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering amount to RMB41.5 million. We did not incur any listing expenses for the year ended 31 December 2012. For the six months ended 30 June 2013, we incurred listing expenses amounting to RMB18.8 million, among which RMB14.4 million has been charged to the profit and loss and RMB4.4 million was capitalized as deferred expenses, which is expected to be charged against equity upon successful listing under the relevant accounting standards. We estimate that the listing expenses to be incurred and charged to the profit and loss in the financial period after 30 June 2013 will be RMB17.0 million.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,622 million from the New Issue after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the Offer Price of HK$2.84 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. We intend to use the proceeds from the New Issue for the purposes and in the amounts set forth below:

- approximately 75%, or approximately HK$1,967 million, will be used to finance the construction of our five new farms, namely Tiefeng Farm, Baiquan Farm, Kedong Yongjin Farm, Honghai Farm and Sifang Farm, expected to be completed by the fourth quarter of 2015 and details of which are summarized in "Business — Our Dairy Farms — Expansion Plan of Our New Dairy Farms" in this Prospectus;
- approximately 15%, or approximately HK$393 million, will be used to develop upstream operations; and
- approximately 10%, or approximately HK$262 million, for our working capital and general corporate purpose.

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares will be approximately HK$669 million. Proceeds from the sale of the Sale Shares by the Selling Shareholders will not belong to the Company.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to be received by the Selling Shareholders from the sale of the Sale Shares will be approximately HK$502 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$2.84 per Share, being the mid-point of indicative offer price. We will not receive any of the proceeds from the sale of Sale Shares pursuant to the Over-allotment Option.

For more details, see "Future Plans and Use of Proceeds."

SELLING SHAREHOLDERS

The following Selling Shareholders are initially selling such number of Sale Shares in the 3rd column below as set opposite their respective names as part of the Global Offering. Where the Over-allotment Option is exercised by the Joint Bookrunners, the Selling Shareholders may sell up to such number of Sale Shares in the 5th column below as set opposite their respective names:

No.	Name of Selling Shareholder	Number of Sale Shares to be sold initially under the International Offering	Percentage shareholding of the issued Shares immediately after the Global Offering and the Capitalization Issue	Maximum number of Sale Shares to be sold upon exercise of the Over-allotment Option	Percentage shareholding of the issued Shares immediately after the Global Offering and the Capitalization Issue
1	YHW Asia Limited	35,301,087	0.90%	21,636,305	0.55%
2	ZSY Asia Limited	—	—	53,200,000	1.36%
3	SB Asia Limited	33,536,032	0.86%	20,554,490	0.53%
4	SXY Asia Limited	—	—	29,200,000	0.75%
5	MFQ Asia Limited	116,828,676	2.99%	—	—
6	Ares	19,543,735	0.50%	19,543,735	0.50%
7	OCBC	19,543,735	0.50%	19,543,735	0.50%
8	KNI	19,543,735	0.50%	19,543,735	0.50%
	Total:	244,297,000	6.25%	183,222,000	4.69%

The first five Selling Shareholders have been our Shareholders since 4 May 2012, shortly after the incorporation of our Company on 1 May 2012. The last three Selling Shareholders are the Pre-IPO Investors.

Particulars of these Selling Shareholders are set out in the section headed "Appendix IV — Statutory and General Information — F. Other information — 13. Particulars of the Selling Shareholders".

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in China; and (iv) risks relating to the Global Offering. Some of the risks generally associated with our business and industry include the following:

- the outbreak of any major diseases among our cows or on neighboring farms could materially adversely affect our business.
- product contamination could harm our business and reputation and subject us to product liability claims and regulatory action.
- our unrealized fair value gains or losses on biological assets may fluctuate dramatically from period to period, are non-cash in nature, and are derived from many assumptions.
- our top five customers accounted for almost all of our revenue during the Track Record Period, and any decreases in our future sales to, or failure to make timely payments to us by, any of them could adversely affect our financial condition and results of operations.
- our limited operating history may make it difficult to evaluate our results of operations and prospects.
- our business and results of operations may be adversely affected by feed price fluctuations or interruptions in the supply of feed.
- failures in our quality control systems may adversely affect our business.
- our milk quality and milk yield are influenced by a number of factors, some of which are beyond our control.
- adverse publicity concerning dairy products and the existence of tainted or contaminated milk produced in China could have a negative impact on the PRC dairy farming industry.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in "Risk Factors" on page 38 of this Prospectus in deciding whether to invest in our Shares.

In this Prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Aibeite"	Jilin Alf Beta Dairy Co., Ltd. (吉林艾倍特乳業有限公司), a company incorporated in 2008 in the PRC, being one of our customers, an Independent Third Party as of the Latest Practicable Date
"AIC"	Administration of Industry & Commerce* (工商行政管理機關) in the PRC or, where the context so requires, State Administration for Industry & Commerce of the PRC (中華人民共和國工商行政管理總局) or its delegated authority at provincial, municipal or other local level
"Application Form(s)"	**WHITE** application form(s) and **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them
"Ares"	Ares YST Holdings, L.P., a fund established in the Cayman Islands, an affiliate of Ares Management LLC, which is an investment adviser registered with the U.S. Securities and Exchange Commission. Ares is one of our Pre-IPO Investors and an Independent Third Party
"Ares Investment Agreements"	collectively, the Ares Subscription Agreement (as amended by supplemental agreements thereto), investor rights agreement and other documents entered into between the Company, the BVI Subsidiary, ZHL Asia Limited, Mr. HL Zhao and Ares in relation to the Pre-IPO Investments
"Ares Subscription Agreement"	the agreement dated 28 March 2013 and entered into between the Company (as issuer), the BVI Subsidiary, ZHL Asia Limited, Mr. HL Zhao and Ares (as subscriber), pursuant to which Ares has agreed to subscribe for 5,201 Shares (which represented 7.10% of the total number of issued Shares immediately following completion of the Pre-IPO Investment Agreements) at a consideration in US$ equivalent to RMB206,220,500
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baiquan Farm"	one of our new dairy farms, located in Baiquan County of Qiqihar City of Heilongjiang

"Banking Ordinance"	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Bermuda Companies Act"	the Companies Act 1981 of Bermuda
"Bermuda Law"	laws of Bermuda
"Board"	the board of Directors
"Bright Dairy" or "Bright Dairy Group"	the group of companies comprising Shanghai Bright Dairy & Food Co., Ltd. (上海光明乳業股份有限公司), a company incorporated in 2000 in the PRC, and its subsidiaries, as a group being one of our customers, each of them being an Independent Third Party
"business day"	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"BVI Subsidiary" or "Natural Dairy Farm"	Natural Dairy Farm Limited, a company incorporated in BVI on 3 May 2012 and a direct wholly owned subsidiary of the Company
"Bye-laws"	the bye-laws of the Company as adopted by our Shareholders on 7 November 2013 and as amended from time to time
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 2,931,486,711 Shares to be made upon capitalization of certain sums standing to the credit of our share premium account referred to in "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in writing of our Shareholders passed on 7 November 2013" in this Prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong Special Administrative Region
"Company"	YuanShengTai Dairy Farm Limited (原生態牧業有限公司), an exempted company incorporated with limited liability under Bermuda Law on 1 May 2012
"Companies Ordinance" or "Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, collectively refers to Mr. HL Zhao, Mr. HY Zhao, ZHL Asia Limited and ZHY Asia Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dinghe Feeds"	Heilongjiang Dinghe Feeds Company Limited* (黑龍江頂鶴飼料有限責任公司), a company incorporated in the PRC and was owned by Dinghe Modern as to 90% of its registered capital as of the Latest Practicable Date
"Dinghe Group"	collectively, Dinghe Modern, Dinghe Feeds, Dinghe Qinggang and/or their respective subsidiaries from time to time
"Dinghe Modern"	Heilongjiang Dinghe Modern Agricultural Company Limited* (黑龍江頂鶴現代農業股份有限公司), a company incorporated in the PRC and was owned by Mr. HL Zhao as to 66.7% of its registered capital as of the Latest Practicable Date
"Dinghe Qinggang"	Heilongjiang Dinghe Qinggang Husbandry Company Limited* (黑龍江頂鶴青崗草業有限公司), a company incorporated in the PRC and was wholly owned by Dinghe Modern as of the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"EU"	European Union

"Euromonitor International"	Euromonitor International Ltd., a firm established in 1972, providing strategy research for consumer markets with international coverage
"Feihe Dairy Group"	the group of companies comprising Feihe Dairy International and Feihe Dairy HLJ and its subsidiaries, being one of our customers, and an Independent Third Party (but deemed by the Stock Exchange to be our connected person after Listing for the purpose of the Listing Rules)
"Feihe Dairy HLJ"	Heilongjiang Feihe Dairy Co., Ltd.* (黑龍江飛鶴乳業有限公司), a company incorporated in the PRC, which is one of our customers, an Independent Third Party and also a former owner of YST Heping and Ruixinda Gannan, whose ultimate beneficial owner is Feihe Dairy International
"Feihe Dairy International"	Feihe International, Inc., an Independent Third Party and a company incorporated in the United States, whose securities were previously listed on the New York Stock Exchange
"Gannan Oumei Farm"	one of our dairy farms, located in Fuyu Village, Gannan County, Qiqihar City of Heilongjiang
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group" or "our Group"	the Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"Heilongjiang"	a province located in the northeast of China, being a primary agricultural province
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"HK Subsidiary" or "Royal Dairy Farm"	Royal Dairy Farm Limited (皇家牧業有限公司), a company incorporated in Hong Kong on 17 May 2012 and an indirect wholly owned subsidiary of the Company

"HLJ Beian NKTH"	Heilongjiang Beian Nongken Tianhe Trading Co., Ltd.* (黑龍江省北安農墾天河商貿有限公司), a company incorporated in the PRC and owned in aggregate as to 57.5% of its registered capital by Mr. HL Zhao and Mr. HY Zhao collectively as of the Latest Practicable Date
"Honghai Farm"	one of our new dairy farms, located in Longjiang County of Qiqihar City of Heilongjiang
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Offer Shares"	the 122,150,000 new Shares (subject to adjustment) being offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the several underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 13 November 2013 relating to the Hong Kong Public Offering and entered into by, among others, the Hong Kong Underwriters, the covenantors named therein (namely, our Controlling Shareholders) and us, as further described in "Underwriting — Hong Kong Underwriting Arrangements" in this Prospectus
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any Directors, chief executive or substantial Shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"INED(s)"	independent non-executive director(s) or, in the context of the Company, our independent non-executive Director(s)

"International Offering"	the offering of initially an aggregate of 1,099,334,000 Offer Shares by us and the Selling Shareholders to professional and institutional investors and other investors as further described in "Structure of the Global Offering" in this Prospectus
"International Offer Shares"	the 855,037,000 new Shares being offered by the Company for subscription and 244,297,000 Sale Shares being offered by the Selling Shareholders for purchase (subject to adjustment as described in "Structure of the Global Offering" in this Prospectus) pursuant to the International Offering together, where relevant, with any additional Shares to be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the several underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and to be entered into by, among others, us, the Selling Shareholders and the Controlling Shareholders and the International Underwriters on or about 20 November 2013, as further described in "Underwriting — International Offering" in this Prospectus
"Jilin"	a province located in the northeast of China, bordering Heilongjiang to the northeast, being a primary agricultural province
"Joint Bookrunners" (in alphabetical order)	China Securities (International) Brokerage Company Limited, Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited
"Joint Global Coordinators" (in alphabetical order)	Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited
"Joint Lead Managers" (in alphabetical order)	China Securities (International) Brokerage Company Limited, Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited
"Joint Sponsors" (in alphabetical order)	China Securities (International) Corporate Finance Company Limited, Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited
"Kedong Oumei Farm"	one of our dairy farms, located in Wanfa Village, Kedong County of Qiqihar City of Heilongjiang
"Kedong Yongjin Farm"	one of our new dairy farms, located in Kedong County of Qiqihar City of Heilongjiang

"Kedong YST Farm"	one of our dairy farms, located in Furao Village, Kedong County of Qiqihar City of Heilongjiang
"KNI"	Key Network Investments Limited, a company established in BVI and a wholly owned subsidiary of VMS Investment Group Limited, one of our Pre-IPO Investors and an Independent Third Party
"KNI Investment Agreements"	collectively, the KNI Subscription Agreement (as amended by supplemental agreements thereto), an investor rights agreement and other documents entered into between the Company, the BVI Subsidiary, ZHL Asia Limited, Mr. HL Zhao and KNI in relation to the Pre-IPO Investments
"KNI Subscription Agreement"	the agreement dated 28 March 2013 and entered into between the Company (as issuer), the BVI Subsidiary, ZHL Asia Limited, Mr. HL Zhao and KNI (as subscriber), pursuant to which KNI has agreed to subscribe for 5,044 Shares (which represented 6.88% of the total number of issued Shares immediately following completion of the Pre-IPO Investment Agreements) at a consideration of HK$ equivalent of RMB200 million
"Latest Practicable Date"	6 November 2013, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	the date, expected to be on 26 November 2013, on which dealings in the Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"M&A Provisions"	Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) promulgated on 8 August 2006 by six PRC regulatory agencies, including the CSRC, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association"	the memorandum of association of the Company

"Mengniu" or "Mengniu Group"	the group of companies comprising China Mengniu Dairy Co., Ltd. (中國蒙牛乳業有限公司), a company incorporated in 2004 in the Cayman Islands, and its subsidiaries, as a group being one of our customers, each an Independent Third Party
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. HL Zhao"	Zhao Hongliang* (趙洪亮), an executive Director, a Controlling Shareholder and the brother of Mr. HY Zhao
"Mr. HY Zhao"	Zhao Hongyu* (趙宏宇), a Controlling Shareholder and the brother of Mr. HL Zhao
"Ms. SX Li"	Li Shuxia* (李淑霞), the spouse of Mr. HL Zhao
"NDRC"	the National Development and Reform Commission of the PRC
"New Issue"	the issue of New Shares under the Global Offering by the Company for subscription at the final Offer Price
"New Shares"	the 977,187,000 new Shares initially being offered at the final Offer Price by the Company under the Global Offering
"Northeastern China"	includes the provinces of Heilongjiang, Jilin and Liaoning
"OCBC"	Oversea-Chinese Banking Corporation Limited, a company established in Singapore, one of our Pre-IPO Investors and an Independent Third Party
"OCBC Investment Agreements"	collectively, the OCBC Subscription Agreement (as amended by supplemental agreements thereto), an investor rights agreement and other documents entered into between the Company, the BVI Subsidiary, ZHL Asia Limited, Mr. HL Zhao and OCBC in relation to the Pre-IPO Investments
"OCBC Subscription Agreement"	the agreement dated 28 March 2013 and entered into between the Company (as issuer), the BVI Subsidiary, ZHL Asia Limited, Mr. HL Zhao and OCBC (as subscriber), pursuant to which OCBC has agreed to subscribe for 5,044 Shares (which represented 6.88% of the total number of issued Shares immediately following completion of the Pre-IPO Investment Agreements) at a consideration of US$ equivalent of RMB200 million
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed or purchased pursuant to the Global Offering

"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares sold pursuant to the exercise of the Over-allotment Option
"Oumei Transfer Agreement"	an equity transfer agreement dated 1 August 2011 entered into between Feihe Dairy HLJ, Mr. Ma Jinyan and Ruixinda, pursuant to which Ruixinda agreed to purchase the entire registered capital of YST Heping and Ruixinda Gannan (which then owned (and currently owns) Kedong Oumei Farm and Gannan Oumei Farm, respectively,) at a consideration of RMB849.0 million
"Over-allotment Option"	the option expected to be granted by the Selling Shareholders to the Joint Bookrunners (on behalf of the International Underwriters) under the International Underwriting Agreement to require the Selling Shareholders to sell up to an additional aggregate of 183,222,000 Shares (in aggregate representing approximately 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng, legal advisers to the Company as to PRC law in connection with the Global Offering
"Pre-IPO Investments"	the investments in the Company by Ares, OCBC and KNI, respectively pursuant to the Pre-IPO Investment Agreements. For further details, please refer to "History, Development and Reorganization — Pre-IPO Investments — A. Investments by Ares, OCBC and KNI and issue of new Shares" in this Prospectus
"Pre-IPO Investment Agreements"	collectively, the Ares Investment Agreements, OCBC Investment Agreements and KNI Investment Agreements
"Pre-IPO Investors" and each a "Pre-IPO Investor"	collectively, Ares, OCBC and KNI, each an Independent Third Party

"Pre-IPO Subscription Agreements"	collectively, the Ares Subscription Agreement, the OCBC Subscription Agreement and the KNI Subscription Agreement, each of which is dated 28 March 2013 (as supplemented and amended by the supplemental agreements all dated 15 May 2013 and entered into by the respective parties thereto and/or side letters thereto)
"Pre-IPO Subscription Price"	an aggregate of the subscription prices in US$ and HK$, that is equivalent to approximately RMB606 million
"Price Determination Agreement"	the agreement to be entered into by the Joint Bookrunners (on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholders) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around 20 November 2013 but no later than 25 November 2013, on which the Offer Price is fixed for the purposes of the Global Offering
"Principal Share Registrar"	Codan Services Limited
"Prospectus"	this prospectus issued in connection with the Hong Kong Public Offering
"Qiqihar"	the second largest city in Heilongjiang and the base where our Group is located
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the reorganization of our Group as described in "History, Development and Reorganization — Reorganization" in this Prospectus
"Ruixinda"	Harbin Ruixinda Dairy Farming Co., Ltd.* (哈爾濱市瑞信達牧業有限公司), a wholly foreign owned enterprise incorporated in the PRC on 9 December 2010 and an indirect wholly owned subsidiary of the Company
"Ruixinda Baiquan"	Baiquan Ruixinda Dairy Farming Co., Ltd.* (拜泉瑞信達原生態牧業有限公司), a company incorporated in the PRC on 25 June 2013 and an indirect wholly owned subsidiary of the Company, which is planned to operate the Baiquan Farm

"Ruixinda Gannan"	Heilongjiang Gannan Ruixinda Dairy Farming Co., Ltd.* (黑龍江甘南瑞信達原生態牧業有限公司), a company incorporated in the PRC on 9 July 2007 and (since September 2011) an indirect wholly owned subsidiary of the Company which operates Gannan Oumei Farm
"Ruixincheng"	Harbin Ruixincheng Commercial Trade Co., Ltd.* (哈爾濱市瑞信誠商貿有限公司), a wholly foreign owned enterprise incorporated in the PRC on 3 May 2013 and an indirect wholly owned subsidiary of the Company
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAFE Circular"	the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Bank in China by Domestic Residents (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued by SAFE on 21 October 2005 and effective from 1 November 2005
"SAIC"	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 244,297,000 Shares being offered for sale by the Selling Shareholders at the final Offer Price under the International Offering, together with, where relevant, any additional Shares which may be sold by Selling Shareholders pursuant to the exercise of the Over-allotment Option
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Select Services"	Select Services, LLC, Inc., a limited liability company incorporated in Delaware, United States, a wholly owned subsidiary of Select Milk Producers, Inc., a U.S. dairy products supplier and dairy farm operator, and an Independent Third Party
"Selling Shareholders"	being YHW Asia Limited, ZSY Asia Limited, SB Asia Limited, SXY Asia Limited, MFQ Asia Limited, Ares, OCBC and KNI (who may sell such number of Sale Shares as set out in "Structure of the Global Offering — The International Offering"), whose names and particulars are set out in "Appendix IV — Statutory and General Information — F. Other Information — 13. Particulars of the Selling Shareholders" in this Prospectus

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 7 November 2013, a summary of principal terms of which is set out in "Appendix IV — Statutory and General Information — D. Share Option Scheme" in this Prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sifang Farm"	one of our new dairy farms, located in Gannan County of Qiqihar City of Heilongjiang
"Songnen Plain"	the Songnen Plain (松嫩平原), an alluvial plain in Northeastern China comprising the southeastern part of Heilongjiang and northwestern part of Jilin, and known for being a primary agricultural region in China
"sq.m." or "m^2"	square meters
"Stabilizing Manager"	Credit Suisse (Hong Kong) Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about 20 November 2013 between Credit Suisse (Hong Kong) Limited (or its affiliates or any person acting for it) and ZHL Asia Limited pursuant to which ZHL Asia Limited will agree to lend certain Shares to the Stabilizing Manager
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tiefeng Farm"	one of our new dairy farms, located in Tiefeng district of Qiqihar City of Heilongjiang
"Track Record Period"	the periods comprising the three financial years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"U.S. dollar" or "US$"	U.S. dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	Value-added tax
"we," "us" or "our"	the Company or our Group (as the context may require)
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yili" or "Yili Group"	the group of companies comprising Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company incorporated in 1993 in the PRC, and its subsidiaries, as a group being one of our customers, each an Independent Third Party
"YST Heilongjiang"	Heilongjiang Kedong Ruixinda YuanShengTai Dairy Farming Joint Stock Co., Ltd.* (黑龍江克東瑞信達原生態牧業股份有限公司), a company incorporated in the PRC on 5 September 2008 and an indirect wholly owned subsidiary of the Company, and which currently operates Kedong YST Farm
"YST Heping"	Heilongjiang Kedong Heping YuanShengTai Dairy Farming Co., Ltd. (黑龍江克東和平原生態牧業有限公司), a company incorporated in the PRC on 3 July 2007 that became an indirect wholly owned subsidiary of the Company in September 2011, and which currently operates Kedong Oumei Farm
"YST Honghai"	Qiqihar Honghai YuanShengTai Dairy Farming Joint Stock Co., Ltd.* (齊齊哈爾紅海原生態牧業股份有限公司), a company incorporated in the PRC on 5 May 2009 and an indirect wholly owned subsidiary of the Company
"YST Qiqihar"	Qiqihar Ruixinda ShengTai Dairy Farming Co., Ltd.* (齊齊哈爾瑞信達生態養殖有限公司), a company incorporated in the PRC on 10 September 2012 and an indirect wholly owned subsidiary of the Company
"YST Sifang"	Qiqihar Sifang YuanShengTai Dairy Farming Joint Stock Co., Ltd.* (齊齊哈爾四方原生態牧業股份有限公司), a company incorporated in the PRC on 7 May 2009 and an indirect wholly owned subsidiary of the Company

"YST Yongjin"	Kedong Yongjin YuanShengTai Dairy Farming Joint Stock Co., Ltd.* (克東勇進原生態牧業有限公司), a company incorporated in the PRC on 5 July 2013 and an indirect wholly owned subsidiary of the Company, which is planned to operate the Kedong Yongjin Farm
"YST Zhenlai"	Zhenlai Ruixinda YuanShengTai Dairy Farming Co., Ltd.* (鎮賚瑞信達原生態牧業有限公司), a company incorporated in the PRC on 9 July 2009 and an indirect wholly owned subsidiary of the Company, and which currently operates Zhenlai Farm Phase I
"Zhenlai Farm Phase I"	one of our dairy farms, located in Daweizi Village, Zhenlai County, Baicheng City of Jilin

* *denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only*

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

"average annual milk yield"	the annual milk production volume divided by total milkable cow days for the year. In this Prospectus, the average annual milk yield is calculated as the annual milk production volume divided by the sum of the 12 months' milkable cow days
"bull"	a male bovine animal
"bovine TB"	bovine tuberculosis is a chronic, highly infectious disease that primarily affects cattle but can be transmitted to humans, and is caused by Mycobacterium bovis, a group of bacteria that usually affects the respiratory system
"brucellosis"	brucellosis in cattle is a highly contagious disease that is spread by infected material at time of calving or abortion and that can result in infertility, morbidity and reduced milk yield
"calf" or "calves"	young bovine animal(s) up to six months of age from birth
"cattle"	a group of bovine animals including bulls, calves, heifers and milkable cows
"China Standard"	the National Food Safety Standard — Raw Milk issued by the Ministry of Health of the PRC
"dairy cow(s)"	milkable cows, heifers and female calves
"Dairy Star"	奶業之星, a software for dairy farms operation and the herd management, which was developed by Shanghai Yimin Science and Technology Co., Ltd.
"dry cow(s)"	milkable cow(s) that are in the dry period of a lactation cycle, during which they do not produce any raw milk
"EU Standard" or "EU raw milk quality standard"	the Raw Milk Quality Standards in Council Directive 92/46/EEC adopted in EU

"FMD"	foot and mouth disease, a highly infectious and contagious livestock disease affecting cattle, pigs, sheep, goats, deer, elk and other cloven hoofed animals which can cause significant loss of productivity, such as reduced milk yields or lameness, and even fatality in young animals
"free stall"	a design for barns that provides animals with a clean, dry, comfortable resting area and easy access to food and water, and that allows them to enter, lie down, rise and leave the barn without coming into contact with the stall structure
"heads"	the number of cattle as specified
"heifer(s)"	female bovine animal(s) older than six months that have not given birth to a calf
"high-end dairy products"	the downstream dairy products with premium quality and sold at high price
"Holstein dairy cow(s)"	a breed of dairy cows having high milk yield
"husbandry"	the management and practice of farming, breeding and raising livestock with the application of scientific principles, especially to animal breeding
"kg"	kilogram
"km"	kilometer
"large-scale farms" or "large-scale dairy farms"	farms with 1,000 heads and more, typically have higher levels of capital investment and use more advanced technology
"liquid milk"	drinking milk, including white milk, flavored milk drinks and yoghurt
"major production regions"	ten provinces and autonomous regions located in northern part of China that are recognized as the nation's major raw milk production regions, namely, Inner Mongolia, Heilongjiang, Liaoning, Shandong, Hebei, Henan, Shanxi, Shaanxi, Xinjiang and Ningxia, and that collectively represented 83.4% of China's total raw milk production volume in 2012
"mastitis"	inflammation of the mammary gland that, when infected, can significantly reduce milk production and, in some circumstances, fertility, as well as delay the onset of heat cycles in cattle

"mega-scale farms" or "mega-scale dairy farms"	farms with 10,000 heads and more
"melamine"	an industrial chemical used for the production of melamine resins which, in 2008, was found to have been illegally added to milk-based products in China by certain operators of milk stations to increase the apparent protein content of such products
"microbe count"	the count of microbes in raw milk, an important safety indicator of raw milk
"milkable cow(s)"	female bovine animal(s) that have given birth to a calf and are either dry cows or milking cows
"milkable cow day(s)"	the average of the beginning and ending numbers of milkable cows of the period multiplied by the number of days in the period
"milking cow(s)"	milkable cow(s) that are in the lactation period of a lactation cycle, during which they produce raw milk
"milk station"	a place where the raw milk produced at small-scale or individual milk farms is collected and sold to dairy products manufacturers
"ml"	milliliter
"mu"	unit of space commonly used in China, equaling to 666.67 m^2
"nutritional standard"	the standard to determine nutritional quality of raw milk, with protein content and fat content as two of the major indicators
"pasteurized milk"	milk that has been exposed briefly to high temperatures to destroy micro-organisms that can cause diseases and to improve its quality and shelf life
"premium raw milk"	raw milk of a premium quality, typically with an average selling price higher than RMB3,800 per tonne in major production regions in 2012, as classified according to Euromonitor International and based on its trade interviews with industry experts and dairy farming companies
"safety standard"	the standard to determine the safety of raw milk, using microbe count and SCC as two of the major indicators
"SCC"	somatic cell count, an important safety indicator of raw milk

"super premium raw milk"	raw milk of a super premium quality, typically with an average selling price higher than RMB4,000 per tonne in major production regions in 2012, as classified according to Euromonitor International and based on its trade interviews with industry experts and dairy farming companies
"tonne"	metric ton
"white milk"	a liquid dairy product with no artificial flavoring
"%"	percent

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our expansion plans;
- our ability to further develop and manage our projects as planned;
- our future debt levels and capital needs;
- future developments, trends and conditions of the industry in which we conduct business;
- changes in PRC laws and regulations, including laws and government regulations on environmental protection and tax, policies and approval processes in the regions where we develop or manage our projects;
- future developments and competitive environment for the PRC dairy and dairy farming industry;
- changes in economic conditions and competition in the regions in which we operate, including a downturn in the property markets and general economy in China;
- our strategies, plans, objectives and goals;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical facts.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-

looking statements. In particular, we use these forward-looking statements in "Business" and "Financial Information" in this Prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

Investing in our Offer Shares involves a high degree of risk. You should carefully consider each of the risks described below and all of the other information contained in this Prospectus before deciding to purchase our Offer Shares. The Company's business, financial condition, results of operations or prospects could be materially adversely affected by any of these risks. You should be aware that our subsidiaries in China are governed by a legal and regulatory environment that in some respects differs significantly from that in other countries. The trading price of the Offer Shares could decline due to any of those risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your investment. The risks described below are those that we believe are material, but they may not be the only risks and uncertainties that we face.

RISKS RELATING TO OUR BUSINESS

The outbreak of any major diseases among our cows or on neighboring farms could materially adversely affect our business.

A major outbreak of any illness or disease at any of our dairy farms could have a significant adverse impact on our raw milk production capacity and volume. We vaccinate different groups of dairy cows according to the different stages of their growth at all of our dairy farms. However, we cannot guarantee that animal diseases, including but not limited to, FMD, brucellosis, bovine TB and bovine paratuberculosis, will not occur at our farms. The source of diseases may include our employees, our feed supplies, visitors to our farms, contaminated water and pathogens transmitted through the air. For example, in 2010, prior to our acquisition of Gannan Oumei Farm, several employees of the farm were infected brucellosis as a result of their improper handling of the brucellosis vaccine. No dairy cow was infected in the incident. To the best of our knowledge, there were no other outbreaks of major diseases at any of our farms. However, we cannot assure you that there will be no such occurrences in the future or we will not fail to monitor or detect any illness or diseases among our cows or on neighboring farms. Any major outbreak of illness or diseases, including those mentioned above, at any of our dairy farms may lead to significant shortfalls in our raw milk production. We may also be required to suspend our business operations temporarily during any major outbreaks and examine all of our cows. Although our insurance policies cover cattle deaths caused by diseases and we may also receive government compensation in the event of an outbreak of a disease, we cannot assure you that these will be sufficient to cover all of our losses, particularly intangible losses including damage to our reputation and corporate image. In addition, an outbreak of any cattle disease at neighboring farms could result in concerns of the public and our customers, which could in turn adversely impact our sales, reputation and results of operations. In the event of any outbreak, our business, financial condition and results of operations could be materially adversely affected.

Product contamination could harm our business and reputation and subject us to product liability claims and regulatory action.

Product safety and quality is critical to our business. As such, our sales volume and financial condition could be materially adversely affected by product contamination. Our raw milk has not been found to have contaminants and we have not been subject to product liability claims or other regulatory action since the commencement of our business. We routinely inspect the safety and quality of our raw milk before it is delivered to our customers. However, the process from the production of the raw milk to the delivery to our customers is very complex. Any negligence or misconduct occurring during the

production or operating process could result in product contamination. Moreover, there is a risk that contamination could occur during the transportation of our raw milk. For example, if we fail to detect any contaminant inside the milk truck, the quality of our raw milk may be compromised. If our raw milk is found to be contaminated, we could be subject to sales returns or delivery refusal, which could reduce our sales and damage our relationships with customers. All of our customers are dairy products manufacturers in China who use our raw milk to process their dairy products. If those downstream products are contaminated, and if the contamination is ultimately traced back to our raw milk, we could be subject to product liability claims by individuals for damages, including, among other things, claims for medical expenses, disability and even wrongful death. In addition, our customers may terminate our sales contracts and we may suffer damage to our reputation. In addition, our sales could be affected even if any contaminated downstream products cannot be traced back to our raw milk if such contaminated products cause any of our customers to suffer reputational harm and sales losses, as this in turn could reduce its demand for our raw milk. Any product contamination involving other farms could also impact the reputation of the industry broadly and have a negative effect on our business. Furthermore, adverse publicity regarding, or negative public perception of, the quality of our raw milk, any downstream products produced from our raw milk or actions relating to our product, whether valid or not, could adversely affect our reputation and sales.

In addition, we may be subject to regulatory action if our raw milk is found to be contaminated. To protect consumers in relation to the purchase or consumption of dairy products, the *Regulation on the Supervision and Administration of the Quality Safety of Dairy Products* (乳品質量安全監督管理條例) took effect on 9 October 2008. If we are found to be in violation of this law due to contamination or any other quality issues occur in our raw milk, we could be subject to penalties including monetary fines, confiscation of equipment and the revocation of licenses needed to conduct our business, which could materially adversely affect our business, financial condition and results of operations.

Our unrealized fair value gains or losses on biological assets may fluctuate dramatically from period to period, are non-cash in nature, and are derived from many assumptions.

Our dairy cows are valued at fair value less costs to sell. The fair value of dairy cows is determined based on either: (i) the market prices as of the end of each reporting period adjusted with reference to the age and cost of the dairy cows to reflect differences in characteristics and stages of growth of the dairy cows; or (ii) the present value of expected net cash flows from the dairy cows discounted at a current market rate, where market prices are unavailable. Any changes in the estimates may affect the fair value of the dairy cows significantly. Upward adjustments do not generate any cash inflow for our operations. In addition, increases in interest rates globally or in China may impact the discount rate used for deriving the present value of the biological assets, which in turn may negatively affect the fair value of the dairy cows. As a result, our unrealized fair value gains or losses on biological assets may fluctuate from period to period. For the years ended 31 December 2010, 2011 and 2012, we had gains arising from changes in fair value less costs to sell of dairy cows of RMB5.6 million, RMB9.9 million and RMB17.7 million, respectively. For the six months ended 30 June 2013, we had losses arising from changes in fair value less costs to sell of dairy cows of RMB16.5 million. Prior to our acquisition of Gannan Oumei Farm and Kedong Oumei Farm, Ruixinda Gannan and YST Heping both experienced substantial changes in the fair values of dairy cows. For the year ended 31 December 2010, Ruixinda Gannan incurred losses arising from changes in fair value less costs to sell of dairy cows amounting to RMB35.9 million; for the nine months ended 30 September 2011, YST Heping recorded gains arising from changes in fair value less costs to sell of dairy cows amounting to RMB50.8 million.

Our unrealized fair value gains/losses on biological assets are also derived from many assumptions. The principal valuation assumptions that we have adopted in applying the net present value approach involve factors such as the number of existing dairy cows, the culling rates of milkable cows in their various lactation cycles, the quality of dairy cows, the discount rate and the expected average selling prices of raw milk, all of which are factors over which we may not have full control. For further information about the principal valuation assumptions, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Changes in fair value less costs to sell of biological assets."

Our top five customers accounted for almost all of our revenue during the Track Record Period, and any decreases in our future sales to, or failure to make timely payments to us by, any of them could adversely affect our financial condition and results of operations.

We rely on the sales of raw milk to our top five customers, namely Mengniu Group, Yili Group, Bright Dairy Group, Feihe Dairy Group and Aibeite, mainly through annual contracts that are renewable upon further negotiation between these customers and us. Feihe Dairy Group, deemed by the Stock Exchange as a connected person pursuant to Rule 14A.06 of the Listing Rules, was our largest customer for the years ended 31 December 2010 and 2011, our fourth largest customer for the year ended 31 December 2012 and our third largest customer for the six months ended 30 June 2013. Sales to our top five customers accounted for almost all of our revenue during the Track Record Period. The trade receivables due from these five customers accounted for substantially all of our total trade receivables as of 31 December 2011 and 2012 and 30 June 2013, respectively. As a result, our business and results of operations are dependent on, among other things, the continued purchase of our raw milk by Mengniu Group, Yili Group, Bright Dairy Group, Feihe Dairy Group and Aibeite, and our continued relationships with these customers. In addition, although the credit period we grant to our customers is generally up to 30 days, we have historically granted exception to one of our customers, Aibeite, with a credit term of approximately three months. For more information on our customer credit risk, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk — Credit risk." If any of our top five customers fails to make payments on a timely basis or at all, our liquidity and business would be adversely affected.

There is no assurance that continued purchases from our top five customers would be sufficient to meet our increasing milk production associated with our expansion and growth strategy. For instance, our key customers may decrease their purchase of raw milk from us due to their increased purchase from alternative sources, including their own dairy farms. We cannot assure you that we will be able to find alternative purchasers within a reasonable period of time if for any reason our customers breach their contractual obligations to purchase our raw milk, or if any of the purchase agreements are suspended, terminated or otherwise expired without renewal. Any of these circumstances may result in a significant decrease in our sales volume and could materially adversely affect our financial condition and results of operations.

Our limited operating history may make it difficult to evaluate our results of operations and prospects.

Our farms became operational and began raw milk production in 2010. To a considerable degree, our growth during the Track Record Period was attributable to the acquisition of two dairy farms in 2011. Therefore, we have a limited operating history for evaluating the viability and sustainability of our

business and growth. Certain challenges associated with companies that have relatively short operating histories include the ability to, among other things, diversify revenue sources, effectively manage a rapidly growing business, respond effectively to regulatory changes and raise sufficient capital for the expansion and ongoing operation of our business. In addition, there may be difficulty in forecasting our future results of operations by referring to our past performance due to our limited operating history.

Our business and results of operations may be adversely affected by feed price fluctuations or interruptions in the supply of feed.

Our feed includes concentrates and forages. We require a substantial amount of feed for our cattle. We purchase our supplies mainly through short-term contracts. Our feed costs accounted for 75.9%, 78.9%, 79.2%, 80.1% and 77.4% of our total cost of sales for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. Fluctuations in feed prices and interruptions in our feed supply could adversely affect our business and results of operations. We have not experienced any major interruptions or feed shortages in the past. However, as with most agricultural products, the price of such feed is volatile and may be affected by various factors, including but not limited to changes in weather conditions, plant diseases, pests, acts of nature, harvest conditions of the feed, the policies of the PRC Government and market competition. In the event of price increases or interruptions in our feed supplies, we may be unable to obtain sufficient supplies of feed on acceptable terms or at all. Our inability to procure sufficient quantities of feed or to pass on increases in costs to our customers could have a material adverse effect on our business, financial condition and results of operations.

We have received various forms of support from Feihe Dairy Group during the Track Record Period, termination of which may render our past performance non-referable.

Our business and Heilongjiang's dairy industry historically relied upon certain forms of support from, among others, Feihe Dairy Group, our key customer and a lead promoter of dairy businesses in Heilongjiang. Feihe Dairy Group constructed and operated two leading modern large-scale dairy farms in Heilongjiang in 2008, which were subsequently acquired by us. It also assisted in supporting dairy farming companies, including our Group, and other companies in the dairy business supply chain in Heilongjiang. We received various forms of support from Feihe Dairy Group during our start-up stage, including business advice with respect to matters such as choice of location, construction and operation of dairy farms, advances for overseas procurements, guarantees for our bank borrowings and liaison with local government entities. In particular, the two farms that we acquired from Feihe Dairy Group have formed the solid foundation of our Group and our business operations. See "History, Development and Reorganization — Our Relationship with Feihe Dairy Group" for more details. As of 31 December 2010, 2011 and 2012 and 30 June 2013, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million, RMB365.0 million and RMB349.0 million, respectively. The borrowings comprise (i) loans we obtained from commercial banks, amounting to RMB159.9 million and RMB200.0 million in 2010 and 2011, respectively, and (ii) the borrowings of RMB154.2 million we assumed from Feihe Dairy Group when acquiring Kedong Oumei Farm in 2011. All guarantees by Feihe Dairy Group had been released as of the Latest Practicable Date. Our payables to Feihe Dairy Group, consisting of the advances for overseas procurements of heifers and the remaining consideration for the acquisition of two farms, as of 31 December 2011 and 2012 and 30 June 2013 were RMB678.5 million, RMB598.3 million and RMB445.3 million, respectively. We settled the payables of RMB68.6 million in relation to overseas procurements of heifers in June 2013.

As of the Latest Practicable Date, we had ceased receiving support from Feihe Dairy Group. As such, we cannot assure you that we will be able to continue to grow or expand our business and operations, or that we will be able to generate revenue and profit at historical levels, as our growth rate during the Track Record Period may not be indicative of our future growth.

Our cash flows and financial condition may be adversely affected if we fail to deliver raw milk to Feihe Dairy Group to settle the remaining acquisition consideration.

During the Track Record Period, we supplied raw milk to Feihe Dairy Group as part of our settlement of the consideration for the acquisition of two farms, and RMB18.0 million, RMB91.7 million and RMB63.0 million was recognized as our revenue from such supplies for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, respectively. As of the Latest Practicable Date, we had payables due to Feihe Dairy Group for the remaining acquisition consideration, which will be settled, in quarterly installments, by delivery of raw milk or in cash pursuant to the supplemental agreement we entered into with Feihe Dairy Group in April 2013. We expect to settle the remaining consideration in full by supply of raw milk to Feihe Dairy Group. If we fail to deliver raw milk to Feihe Dairy Group to settle the quarterly payment in full, we will have to make the shortfall of such quarterly payment in cash, and as a result, our cash flows and financial condition may be adversely affected. In addition, as of 31 December 2012, certain of our buildings and plants with a net carrying amount of RMB290.1 million were mortgaged to secure the acquisition of dairy farms from Feihe Dairy HLJ. Such mortgage is expected to be released when all the acquisition consideration has been repaid. If we fail to settle the remaining acquisition consideration by delivery of raw milk or in cash, the mortgaged properties may be foreclosed to repay the remaining acquisition consideration.

Failures in our quality control systems may adversely affect our business.

We rely heavily on our quality control systems to ensure the safety and quality of our raw milk. See "Business — Quality Control" for more details on our quality control systems. Although we believe that our quality control systems functioned properly during the Track Record Period, we cannot assure you that failures in our quality control systems will not occur in the future. Such failures may occur due to technical malfunctions, including those instruments used to measure feed quality, chemical residue of feed, raw milk quality and veterinary drug residue. In the event of any such failure, our safety and quality inspection systems may not detect the feed contamination or the presence of any unqualified raw milk. Further, they may not prevent the unqualified raw milk from being collected by, or delivered to, our customers, which could cause us to suffer from monetary losses or damage to our reputation.

Our interest expenses may increase significantly as we ceased to obtain interest-free borrowings from our Controlling Shareholders.

During the Track Record Period, we financed our operations partly through borrowings from our Controlling Shareholders and their respective associates. As of 31 December 2010, 2011 and 2012, we had interest-free borrowings of RMB16.2 million, RMB267.5 million and RMB341.0 million, respectively, from our Controlling Shareholders or their associates. We did not have any interest-free borrowings from our Controlling Shareholders or their associates as of 30 June 2013. As of the Latest Practicable Date, all loans, advances and balances due to and from our Controlling Shareholders had been fully settled, and all security and guarantees by them in connection with our borrowings have been

fully released. As we ceased to obtain interest-free borrowings from our Controlling Shareholders, our interest expenses may increase significantly since we may need to obtain interest-bearing bank loans in the future to finance our operations and expansion plans.

Our milk quality and milk yield are influenced by a number of factors, some of which are beyond our control.

Our raw milk quality and yield are influenced by a number of factors that are beyond our control, including, but not limited to:

- feed supply factors — the volume and quality of milk produced by dairy cows being linked closely to the nutritional quality of the feed provided;
- seasonal factors — dairy cows generally producing more milk in temperate weather than in extremely cold or hot weather. Extended unseasonal cold or hot weather could potentially lead to lower than expected raw milk production;
- breeding factors — the genetic quality of a dairy cow having a direct impact on the yield and quality of milk produced by such dairy cow; and
- health factors — potential outbreaks of diseases among our cows and cows from neighboring farms.

The quality of our dairy cows is an important factor affecting the production of raw milk, which is in turn dependent on the quality and supply of imported bull semen. We breed our own high-quality Holstein dairy cows. If at any time the quality of imported bull semen we purchase is compromised, or our supply of bull semen is disrupted, the genetic quality of our herd, and in turn, the quality and yield of our raw milk may not be sustained at current levels or improve at the rate we expect in the long term. Furthermore, the quality of our dairy cows has a direct impact on the protein content and fat content of our raw milk, which in turn could impact the price at which we can sell our raw milk.

We may not be able to effectively expand our production capacity or do so in a cost-effective or timely manner, which could prevent us from achieving increased production volumes, sales and market share.

In order to increase our raw milk production and sales volumes, we plan to build additional dairy farms for commercial production in the next three years, where we seek to replicate our mega-scale dairy farming business model. We cannot assure you that we will be successful in expanding our overall production capacity. Failure to scale up our production capacity could hinder our ability to achieve higher production volumes, which would prevent us from increasing sales of our raw milk to existing customers and extending our customer base to include new customers. Our inability to ramp up our raw milk production and sales volumes could also prevent us from meeting increased market demand and expanding our market share. In addition, if we are unable to replicate our business model of standardized mega-scale free stall dairy farming at future farms, the quality of our raw milk could be affected, and our efficiency could be reduced.

We aim to attain a total herd size of approximately 100,000 dairy cows by 2017. As of the Latest Practicable Date, we bred our own high-quality Holstein dairy cows to support our own farms and expand our business. However, we cannot assure you that we will be able to successfully breed a sufficient number of heifers to meet the needs of our own farms as we continue to expand our production capacity. Failure to maintain our self-sustainability in this respect as our operations continue to grow could require us to procure heifers from third-party suppliers, which could cause us to incur additional costs or delay our expansion. In the event that we are required to procure heifers, we may not have access to dairy cows of a similar high quality to our self-bred dairy cows, and may be subject to new government regulations regarding the procurement of imported cows, either of which could lower the quality and yield of our raw milk and, in turn, adversely affect our business and results of operations. As we expand our production capacity, we may also encounter regulatory, personnel and other difficulties that may increase our expenses. In addition, if we are unable to secure suitable parcels of land for our new farms to support our growing herd, our expansion plans may be delayed and our ability to become profitable may be impaired.

We may have difficulty managing our future growth and the increased scale of our operations, which could materially adversely affect our business and operating results.

We experienced significant growth during the Track Record Period due to the acquisition of two additional farms in 2011 and the organic growth of our own farms. Since we commenced commercial sales of raw milk in October 2010, our total revenue increased significantly from RMB0.3 million in 2010 to RMB148.8 million in 2011, and further to RMB689.1 million in 2012. Our total revenue increased from RMB327.4 million for the six months ended 30 June 2012 to RMB385.1 million for the six months ended 30 June 2013. We expect to continue to grow our operations. To a considerable degree, our growth during the Track Record Period was attributable to the acquisition of two dairy farms in 2011. Our revenue from these two farms was RMB102.8 million for the three months ended 31 December 2011, accounting for 79.8% of our total revenue during the same period. For the year ended 31 December 2012 and the six months ended 30 June 2013, our revenue from these two farms was RMB432.7 million and RMB176.6 million, accounting for 62.8% and 45.8%, respectively, of our total revenue during the same periods. As a result, we may be unable to continue to grow at historical levels, as our growth rate during the Track Record Period may not be indicative of our future growth.

In addition, our ability to manage this growth effectively will require us to: (i) improve our operational, financial and management systems; (ii) develop the skills of our management team; (iii) train, motivate, manage, and retain our employees; (iv) maintain adequate facilities and equipment; and (v) continue to expand our research and development, sales and marketing, and technological capabilities. We cannot assure you that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. If we fail to sustain our profitability or manage our growth effectively, our business, financial condition and results of operations could be materially adversely affected.

As we continue to develop and expand our business and operating scale, we expect our financing and operating costs to increase. Moreover, our long-term success is also dependent on our ability to obtain high-quality feed, mandatory approvals from relevant environmental protection agencies, high-quality imported bull semen and sufficient capital. If we fail to manage any or all of these critical factors as well as our increased costs, our ability to develop our overall business and scale of operations could be undermined.

If we are unable to continue to benefit from favorable government policies, our results of operations could be adversely affected.

We have historically benefited from government policies that favor China's dairy farming industry. We have received government subsidies and enjoyed zero income tax rate as a result of government policies which benefit the dairy farming industry in order to promote, among other things, improved industrialization and specialization levels of the husbandry industry, acceleration of the breeding and promotion of fine breeds of livestock. For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations and Financial Condition — Government policies and tax" and "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Income tax expenses." We cannot assure you that we will continue receiving such governmental support or beneficial tax treatment in the future, and if these government policies change, our results of operations could be adversely affected.

Natural disasters may interrupt or disrupt our production and operations.

Natural disasters may disrupt the operations at our farms and production facilities, which could adversely affect our production and operations in material respects. We require large areas of land to accommodate, among others, barns for milking cows, barns that house our heifers, milking halls, corn silage warehouses, concentrate warehouses, feeding and processing facilities and waste management facilities. All of these facilities cannot be relocated easily without the incurrence of significant time and costs. Our operations may be interrupted by natural disasters including but not limited to, earthquakes, fires, floods, epidemics and bad weather. We have not purchased business interruption insurance. Although we have not experienced material disruptions in our operations resulting from any of the foregoing incidents, any occurrence of such events in the future could materially adversely affect our business, financial condition and results of operations.

We may experience difficulties and delays in our production and sales of raw milk.

We may experience difficulties and delays in the production and sales of our raw milk due to certain incidents, such as:

- utility supply disturbances, terrorism and strikes;
- forced closure or suspension of our dairy farms;
- our failure, or the failure of any of our suppliers or logistics providers, to comply with applicable regulations and quality assurance guidelines that could lead to temporary product seizure or recalls, production shutdowns or delays and product shortages; and
- other production or distribution issues, including limitations to production capacity due to regulatory requirements or physical limitations that could impact continuous supply.

Although we have not experienced material disruptions due to the events mentioned above, any failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively respond to such events if they occur, could materially adversely affect our business, financial

condition and results of operations. Further, interruptions at any stage of our production process, including feeding, breeding, milking and raw milk delivery, would have a negative impact on our operations.

We rely heavily on the sales of our raw milk in China and are subject to changes in consumer tastes and preferences.

We are engaged in the production and sales of premium raw milk, which a number of customers use to produce high-end dairy products for sale in China. The primary source of our income has been, and we anticipate in the near future will continue to be, sales of raw milk. All of our sales were made in China during the Track Record Period and we expect that most of our sales will still be made in China in the foreseeable future.

Consumer tastes and preferences may change from time to time. Since the melamine incident in 2008, there has been an increase in demand for premium raw milk. However, we can give no assurance that the demand for raw milk, particularly premium raw milk, in China will be sustainable at current levels or that such demand will continue to grow. If the consumers in China no longer consume large quantities of dairy products that are manufactured using premium raw milk, the demand for our raw milk could diminish, which would in turn adversely affect our business and results of operations.

In addition, in the event that there is any outbreak of animal diseases affecting cows in China, consumer confidence and interest in dairy products may be affected, which would in turn adversely affect our business. See "— The outbreak of any major diseases among our cows or on neighboring farms could materially adversely affect our business."

We may face challenges and incur additional costs as we expand our business by integrating the value chain.

As part of our business development strategy, we plan to develop strategic relationships with renowned international and domestic brands and leaders to expand downstream into China's high-end dairy products market. We also intend to expand our business to encompass upstream operations, including feed growing and sales of organic fertilizers. However, our plans to expand our business into upstream and downstream operations are not concrete and are subject to our future business development, market conditions, customer demand and other factors beyond our control, and therefore, our expansion plans may not be realized to the extent we expect, or at all. In addition, we may not be able to obtain sufficient land or retain experienced personnel for our upstream operations, which may adversely affect our expansion. Furthermore, our business could be adversely affected if our upstream operations experience severe weather conditions or natural disasters that interrupt or disrupt the supply of our self-produced feed.

In connection with the sales and marketing of our new products, we expect to incur additional costs and to face intense competition in the relevant markets from other companies, including those with more relevant technological and managerial experience. In addition, our diversification into new lines of business will put pressure on our managerial, marketing, technical, financial, production, operational and other resources. As these are new product categories for us, expansion into these areas will require significant management attention. To manage future growth, we must increase distribution capacity, enhance financing controls and hire additional skilled personnel as well as manage relationships with a greater number of customers, regional distributors, suppliers, equipment vendors and other third parties.

Furthermore, expansion into these areas will require us to comply with the relevant laws and regulations, such as the hygiene requirements for the operating procedures relating to food production, additional methods and procedures relating to food inspection, and testing relating to the production of downstream dairy products, and the nutritional content requirement relating to the production of organic fertilizers. We may face challenges when complying with these laws and regulations and incur additional compliance costs.

We cannot assure you that: (i) we will be able to successfully compete in these new businesses; (ii) the demand for these products will grow to the extent that we expect; or (iii) these new lines of business and products will provide the returns that we expect. Moreover, we cannot guarantee that the implementation of such expansion plans, including the required diversion of significant management attention to such implementation, will not adversely affect our existing operations.

Our contemplated collaboration may not be successful and profitable.

In June 2013, we entered into a non-legally binding memorandum of understanding with Select Services, a U.S. dairy products supplier and dairy farm operator, contemplating a joint collaboration arrangement with respect to certain aspects of our operations, including importing quality embryos into China, advancing heifer breeding techniques and know-how, licensing and adopting innovative milk processing and dispensing technologies, and designing and building dairy facilities, to improve our overall operating efficiency and profitability. Although we expect to enter into one or several definitive agreements by the end of 2013, there can be no assurance that we will be able to proceed with such arrangement as planned or at all. Even if a definitive agreement is executed, our plans to import quality embryos into China and license patented technologies may be modified or may not be successfully implemented. Any difficulties experienced by our collaboration partner or by us relating to our respective businesses could hinder the ability of each party to fulfill its contractual obligations as set forth in any agreement. In addition, we cannot guarantee that there will not be any material disputes among, or breaches by, any collaboration partners in the future. If the parties to any disagreement cannot resolve their disputes through negotiation or arbitration, our business and results of operations may be negatively impacted. In the event that any dispute remains unresolved, the relevant collaboration arrangement could be terminated.

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

We have insurance policies covering our eligible dairy cows against deaths caused by diseases, natural disasters and accidents. Generally, dairy cows become eligible for coverage when they are over 18 months old in China. Therefore, our dairy cows under 18 months old are not covered by insurance. For further information, see "Business — Insurance." In addition, according to the *Animal Epidemic Disease Prevention Law of the PRC* (中華人民共和國動物防疫法), amended on 30 August 2007 and effective on 1 January 2008, when animals are slaughtered or animal products and relevant goods are destroyed pursuant to mandatory measures taken to prevent, control or eliminate epidemics, or animals die due to stress caused by mandatory vaccinations, dairy farming companies, such as us, may be entitled to compensation for losses resulting from such actions. However, the amount of such compensation will be determined by the government and may not be sufficient to cover all related losses. In addition, even if we receive compensation from the government for the replacement of lost dairy cows, there is no assurance that any replacement dairy cows would be of the same genetic quality as the lost dairy cows, which could lower our milk quality and yield per cow.

We do not have any product liability insurance, business interruption insurance or insurance on production facilities. The occurrence of certain incidents, including earthquakes, fires, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from them may not be fully covered by our existing insurance policies. Further, any defective product claims or business interruption may result in substantial costs and losses. Losses incurred on payments we may be required to make as a result of such product claims or business interruption may have a material adverse effect on our business, financial condition and results of operations to the extent that such losses or payments are not insured or the insured amount is not adequate to compensate such losses.

Furthermore, we do not maintain third-party liability insurance against claims for personal injury or other relevant injuries and liabilities. According to the relevant PRC laws and regulations, we may be liable for losses or damages relating to injuries suffered by our employees or third parties arising from any accident that occurs due to our or our employees' action or failure to act. Any such losses or damages could have a material adverse effect on our business, financial condition and results of operations.

Our inability to retain or secure senior management, officers and key qualified personnel for our operations could hinder our continuing growth and success.

Our success depends, to a large extent, on the experience and skills of our current senior management, officers and key qualified personnel, including those personnel set forth in "Directors, Senior Management and Employees" in this Prospectus. In particular, our senior management has significant experience relating to the breeding of dairy cows and production of raw milk. The expertise, industry experience and contributions of our senior management are crucial to our success. However, we cannot assure you that such persons will continue to provide services to us or will honor the agreed-upon terms and conditions of their employment contracts. If we are unable to retain or recruit such key qualified personnel, or if we are required to incur unexpected increases in compensation costs to retain key personnel or meet our hiring goals, our business prospects could be materially adversely affected.

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

We engage independent third-party contractors to design and build our dairy farms. As a result, our operations are affected by the performance of our third-party contractors. In selecting independent third-party contractors, we obtain quotes from various independent third-party contractors based on construction capability, quality, price, skill and experience. We also require independent third-party contractors to have the relevant certificates issued by the relevant administrative authorities. Such independent third-party contractors are required to carry out their work in accordance with the designs and schedules of the relevant assignments as well as with our quality, safety and environmental standards. However, we cannot assure you that these independent third-party contractors will work in accordance with such standards at all times, and any failure by them to meet the relevant standards at any of our dairy farms may result in our non-compliance with the relevant government rules and regulations. Furthermore, if we fail to retain our third-party contractors or find replacements on favorable terms in the event of any breach of contract by such contractors, our business and results of operations may be materially adversely affected.

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

Litigation or legal proceedings could expose us to liabilities, divert our management's attention and harm our reputation.

As of the Latest Practicable Date, we were not involved in any litigation or legal proceedings that we believe could have a material adverse effect on our business or financial condition. However, we may at times be involved in litigation or legal proceedings during the ordinary course of our business operations, or related to, among other things, product or other types of liabilities, labor disputes or contractual disputes. If we become involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or results which may adversely affect our business, financial condition and results of operations. In addition, any litigation or legal proceedings could involve substantial legal expenses, require a significant amount of time and resources, and divert the attention of our management from our operations.

We face uncertainties with respect to our farms that use leased collectively-owned agricultural land.

All of our four farms are located on leased land. A majority of these parcels of land are collectively owned by villagers of the local villages. We have signed long-term lease contracts with the committees of the local villages. Relevant PRC laws and regulations allow large-scale farming operators of livestock, such as us, to lease agricultural land from local villagers or rural collective economic organizations, and we have obtained the approval relating to the land occupied or used by us in China for scale-breeding and affiliated activities. However, long-term leasing of collectively owned rural land is subject to uncertainties, such as termination or breach by local villagers or committees of the local villages, which are not risks associated with granted state-owned land. We may be forced to relocate and incur additional costs if any of our long-term leases is terminated or materially breached.

We had net current liabilities during the Track Record Period and may have net current liabilities going forward.

The expansion of our business has been capital intensive. We recorded net current liabilities of RMB382.3 million, RMB1,172.3 million, RMB1,471.3 million and RMB718.1 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Our net current liabilities position was mainly due to the time lag of typically two years between our investment of capital in new farms and the commencement of production and sales of raw milk at these new farms. Each time we build a new farm, we require a period of time to build production facilities and bring in additional dairy cows. During the Track Record Period, we used bank loans and shareholder loans to finance our operations before we were able to generate sufficient cash flows from our investment in these farms. We also incurred a significant amount of other payables for construction in progress relating to our farms. This time lag has in the past affected, and we expect will continue to affect, our results of operations due to

the fixed costs associated with establishing new farms, our financial condition by contributing to our net current liabilities position, and our cash flows. In addition, we assumed additional bank borrowings and other payables as a result of our acquisition of Kedong Oumei Farm and Gannan Oumei Farm in September 2011. If we are not able to recoup these costs through increased sales, our business, financial condition and results of operations could be materially adversely affected.

Our financial statements have been prepared under the going concern concept, notwithstanding our net current liabilities position, because we have received a capital injection into one of our subsidiaries of approximately RMB459 million from Ms. SX Li and had the reclassification of payables to Feihe Dairy Group pursuant to the supplemental agreement we entered into with Feihe Dairy HLJ in April 2013. For further information about the net current liabilities position, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Working capital."

We may continue to have net current liabilities in the future as our business expands. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, or at all, we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. This could have a material adverse effect on our expansion plans, financial condition and results of operations. In addition, if we are unable to continue in business as a going concern, adjustments will have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify non-current assets as current assets. Our financial statements do not currently include any adjustments that would result from our failure to continue in business as a going concern.

Our ability to meet working capital requirements or obtain additional financing may be limited, which could delay or prevent the implementation of our strategies.

We have, to date, financed our working capital and capital expenditure needs primarily by managing our inventories, receivables and payables and through capital contributions from shareholders and bank loans from local banks. We had net current liabilities during the Track Record Period, primarily attributable to the time lag between our investment of capital in new farms and the commencement of production and sales of raw milk at these farms. Our total bank borrowings as of 30 June 2013 were RMB449.0 million. See "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness" for more information. We cannot assure you that we will not experience working capital deficiencies or net cash outflows in the future. Although we believe that our current cash and cash equivalents, and cash flow from operations will be sufficient to meet our present and reasonably anticipated cash needs, we may, in the future, require additional cash resources as we continue to expand our business operations and production facilities and implement other strategies. If our own financial resources are insufficient to satisfy our working capital requirements, we may seek to obtain additional credit facilities or sell additional private or public equity or debt securities.

Our ability to raise additional capital will depend on the financial success of our business, the successful implementation of our key strategic initiatives, economic and financial market conditions and other factors. No assurance can be given that we will be successful in raising the required capital at favorable terms within required time period, or at all. Further equity financings may have a further dilutive effect on our Shareholders. If we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and

the debt service payments may be a significant drain on our free capital allocations. If we are unsuccessful in meeting our working capital requirements or obtaining additional financing, we may not be able to continue our business operations and advance our development programs, which could harm our overall business prospects.

If we encounter changes in favorable government policies on lending, our financial condition and growth prospects could be materially adversely affected.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For example, from October 2010 to July 2011, in an effort to rein in inflation, the PBOC raised the benchmark interest rate on one-year term deposits from 2.25% to 3.5%. On both 8 June and 6 July 2012, the PBOC reduced the benchmark interest rate on one-year term deposits by 0.25%. The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we have benefited from favorable government policies which support lending in the dairy farming industry. If these government policies change, our access to capital could be reduced, which could negatively affect our working capital levels as well as our growth prospects.

Our Controlling Shareholders have substantial influence over the Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the Global Offering.

Following the Global Offering, our Controlling Shareholders will remain controlling shareholders of the Company who will retain substantial control over our issued share capital and, in the aggregate, beneficially own 34.12% of our outstanding Shares, whether the Over-allotment Option is or is not exercised at all. Although our operations are generally run independently by our management, these shareholders, subject to our Bye-laws and applicable laws and regulations, will have substantial influence over our business, including but not limited to, the appointment of the senior management, dividend distributions and annual budgets plans, and major business decisions regarding mergers, consolidations and the sale of all or substantially all of our assets. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of the Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of the Company or may reduce the market price of our Shares.

In addition, the Controlling Shareholders may have interests that conflict with those of other Shareholders, and may take actions that would not be in the best interests of our other Shareholders. For example, under the Pre-IPO Subscription Agreements, Mr. HL Zhao and ZHL Asia Limited guaranteed to the Pre-IPO Investors that the total sales volume of our milk and milk products will be no less than the guaranteed sales volumes specified for each of our financial years ending 31 December 2013, 2014, 2015 and 2016, failing which they would be required to pay the Pre-IPO Investors an amount calculated according to a specified formula in immediately available funds within 120 calendar days of the relevant financial year end. For more information on the sales guarantee term, see "History, Development and Reorganization — Pre-IPO Investments — A. Investments by Ares, OCBC and KNI and issue of new Shares — Other Rights of the Pre-IPO Investors under the Pre-IPO Investment Agreements — (viii)

Sales guarantee." To the extent that these Shareholders have interests that conflict with those of other Shareholders, subject to applicable laws and regulations, they may take actions that would not be in the best interests of other Shareholders.

We may experience a labor shortage or labor dispute and our labor costs may increase, which could hinder our growth and adversely affect our business.

The costs of direct labor expressed as a percentage of our cost of sales amounted to 0.5%, 3.8%, 4.1%, 4.0% and 4.4% for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. Labor costs in China have been increasing and may continue to increase in the future. We cannot assure you that our cost of labor will not continue to increase. Any such increase could cause our production costs to increase and we may not be able to pass such increase to our customers due to competitive pricing pressures. Moreover, we can give no assurance that we will not experience any shortage of labor for our dairy farms. Any such shortage could hinder our ability to maintain or expand our business operations. In such circumstances, our business, financial condition and results of operations may be materially adversely affected.

Further, our ability to successfully operate our business is dependent on our ability to maintain a stable workforce at our dairy farms. There were no labor disputes that materially adversely affected our business during the Track Record Period. However, we cannot assure you that we will not be involved in any labor disputes in the future. If our operations are disrupted for any period of time as a result of labor disputes, our production volume could be reduced, which could materially adversely affect our results of operations and hinder our growth.

Our risk management and internal control systems may not be adequate or effective, which may have a material adverse effect on our business.

We have established risk management and internal control systems consisting of the relevant organizational framework policies, procedures and risk management methods that we believe are appropriate for our business operations. However, we may not be successful in implementing our risk management and internal control systems. For example, pursuant to the Oumei Transfer Agreement, we agreed, as consideration for the acquisition, to make the first payment in cash and to supply Feihe Dairy HLJ of raw milk valued at RMB122.4 million per quarter for 18 months from after the closing date of such acquisition in lieu of a second cash payment, failing which we would be required to pay Feihe Dairy HLJ the shortfall of such quarterly payment in cash. During the Track Record Period, we were on several occasions unable to fulfill the quantities specified under such agreement. In April 2013, we entered into a supplemental agreement with Feihe Dairy HLJ, pursuant to which we obtained the waiver for the breach of the Oumei Transfer Agreement. As of the Latest Practicable Date, we were not required to pay any monetary damages or other penalties that have had a material adverse effect on our business or financial condition as a result of the breach of any of our contracts. However, if we are found to be liable and are required to pay substantial damages or penalties as a result of any failure in our risk management and internal control systems in the future, our cash flows, financial condition and reputation could be materially adversely affected.

We seek to continue to enhance our risk management and internal control systems from time to time. However, we cannot assure you that our risk management and internal control systems will be sufficiently effective to ensure the accurate reporting of financial results of operations, among other things, and to prevent fraud.

In preparation for the Listing, we have implemented measures to enhance our internal controls. As some of our risk management and internal control policies and procedures are relatively new, we will require additional time to fully evaluate the effectiveness of, and ensure compliance with, these policies and procedures. Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to our policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management policies and procedures, our business, financial condition and results of operations could be materially adversely affected.

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

We rely, to a large extent, on our information systems for the management of our dairy farms. Our information systems allow us to monitor each cow, including but not limited to its basic information, genetic connection, medical history and milk yield. Our operating efficiency has been significantly enhanced by such information systems. We have not experienced any major information systems failure in the past. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information systems will not happen in the future. Additionally, restoring any damaged information systems may cause us to incur significant costs and require additional workforce. If any serious damage or significant interruption occurs, our operations may be disrupted and we may experience errors in the systems, which could have a material adverse effect on our business and results of operations.

RISKS RELATING TO OUR INDUSTRY

Adverse publicity concerning dairy products and the existence of tainted or contaminated milk produced in China could have a negative impact on the PRC dairy farming industry.

The PRC dairy farming industry is highly dependent upon consumer perception of the safety, quality and health benefits of dairy products. As a result, any substantial or sustained negative publicity concerning dairy products could lead to a loss of consumer confidence in such products and affect the business of PRC dairy farming companies like us. In China, domestic supplies of raw milk vary in quality and are used to produce a wide range of dairy products. Any concern with the quality of domestic supplies of raw milk, or illegal tampering with the content of raw milk, such as the addition of unknown or unauthorized substances by third-party agents or suppliers, may render dairy products susceptible to suspected contamination from adulterated raw milk.

China's dairy sector has in recent years been exposed to negative publicity due to a number of incidents involving contaminated milk products. For example, in 2008, milk formula contaminated with melamine caused the death of a number of infants as well as illness in nearly 300,000 others. In 2009 and 2010, additional incidents of milk formula tainted with melamine were also uncovered. In addition, in 2010, there were media reports that milk powder tainted with hormone substances of unknown authenticity had resulted in the premature puberty of several infants in China. Any report asserting that the raw milk produced in China contains or has contained melamine or other added substances or contaminants could damage the reputation of the PRC dairy industry and have a material adverse effect on our business, whether or not such report has any basis in fact. In addition, reports asserting that the

dairy products produced by manufacturers in China are tainted with contaminants or contain controversial substances could have a negative impact on the entire dairy farming industry and our business, even if such contamination or added substance concerns the downstream production stages and is wholly unconnected with the raw milk that we produce. In July 2013, there were controversial reports regarding infant formula products manufactured by certain domestic brands that were found to contain trans-fatty acids, including infant formula products manufactured by Yili Group, one of our top five customers, containing raw milk sourced from other suppliers. While experts disagree as to whether such content poses a health risk to infants, and although the levels of trans-fatty acids found in these domestic brands of infant formula are purported to be within national and international safety standards, such negative publicity could have an adverse impact on demand for, and sales of, PRC branded infant formula products, which could in turn curtail demand for raw milk supplies in general. Moreover, in early August 2013, authorities in New Zealand were informed by Fonterra Co-operative Group Limited ("Fonterra") that certain batches of its whey protein concentrate produced at a Fonterra processing facility in New Zealand contained Clostridium botulinum, a strain of bacteria that can cause a potentially fatal paralytic illness known as botulism. The news prompted the PRC Government to impose restrictions on the imports of certain Fonterra products into China, and led to the recall of certain brands of dairy products that were suspected of containing the tainted ingredient or were packaged in the said New Zealand facility. However, on 28 August 2013, Fonterra and New Zealand government officials issued statements confirming that further testing revealed the bacteria found in Fonterra products to be Clostridium sporogenes, which, according to the statements, is not associated with any known food-safety issues and is not capable of causing botulism. While we do not believe this particular incident has had, or will have, any impact on our sales of raw milk, any adverse publicity concerning the dairy sector in China could negatively affect our results of operations by reducing consumer demand and the sales and selling prices of our raw milk, increase government oversight of our industry, and have an adverse effect on our growth prospects.

Any major outbreak of diseases among cows could cause consumers to avoid dairy products.

A major outbreak of any illness or disease among cows in China could lead to a serious loss of consumer confidence in, and demand for, dairy products. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from dairy products. Therefore, an outbreak of any disease among cows in China or elsewhere could negatively affect our growth prospects.

Increased competition within the dairy farming and dairy products industries could adversely affect the sales and pricing of our raw milk.

China's dairy farming industry, which historically has not been subject to high entry barriers or major restrictions, continues to be extremely fragmented and is largely dominated by individual, small- and mid-scale farms. However, there has been a gradual increase in the number of large-scale farms in recent years due to the significantly higher efficiency and productivity of farms with scale, the introduction of more favorable government policies towards such farms in the wake of the melamine incident in 2008, and a greater focus on the safety and quality of raw milk supplies. According to *Euromonitor International*, the number of large-scale dairy farms had risen from 453 farms in 2008 to 1,133 farms in 2012. While large-scale dairy farms represented less than 0.1% of the total number of dairy farms in China in 2012, they accounted for 16.1% of total raw milk production in China in the same year. As such, we face competition from other large-scale domestic dairy farming companies who, like the Company, produce raw milk for the high-end segment of the dairy products industry. We also face competition from foreign suppliers that sell substitutes to raw milk, such as raw milk powders, in

the domestic PRC market. We cannot assure you that we will not be exposed to increased competition from existing or future market players, some of whom may develop products that are comparable or superior in quality to ours. In addition, if any of our customers incorporates the upstream dairy farming business into its operations, such customer could cease to source raw milk supplies from us and, moreover, become one of our competitors.

Furthermore, demand for our product is highly dependent on demand for our customers' dairy products, which are manufactured using our raw milk as raw material, as well as their continued ability to sell their products. Many of our customers face competition from foreign dairy products manufacturers, particularly with respect to their milk formula products. There can be no assurance that our customers will be able to compete successfully in the marketplace. If competition from these foreign producers increases, our customers may be required to lower the selling prices of their dairy products in order to sustain their profitability. For example, in August 2013, a number of foreign manufacturers whose infant formula is sold in China were investigated and fined by the PRC Government for price-fixing and anti-competitive practices. Following the investigation, some foreign manufacturers significantly reduced the prices of their infant formula in China. If this trend continues, our customers may be forced to lower the selling prices of their own infant formula products to remain competitive. In such event, we cannot assure you that these customers will not seek to renegotiate their raw milk supply contracts with us and require us to reduce the selling prices of our raw milk.

If we or our customers face any increase in competition as a result of any of the foregoing factors, our raw milk sales could suffer and we could be subject to downward pricing pressure, which would have a material adverse effect on our financial condition, results of operations and profitability.

We may incur significant costs in complying with the increasingly stringent environmental laws and regulations.

We conduct business in an industry that is subject to stringent PRC environmental laws and regulations. These laws and regulations require enterprises engaged in any manufacturing and construction that may produce environmental waste to adopt measures to effectively control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials. Such laws and regulations also require fee payments from producers discharging waste substances. We produce a certain amount of solid waste and other environmental waste in our production process, and are subject to restrictions relating to the discharge of such waste. In the event that PRC environmental laws, regulations or government policies are amended and more stringent requirements are imposed on us, we may incur significantly increased costs and expenses and need to allocate additional resources to comply with such requirements.

In the course of our operations, we may have unknowingly emitted pollutants or otherwise caused environmental damage or been in breach of applicable environmental laws and regulations. Even with a combination of knowledge and careful and regular monitoring, such environmental issues may continue until they are brought to our attention. Any failures to comply with PRC environmental laws and regulations may lead to claims, liabilities or the suspension of our operations, and thereby adversely affect our business and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Substantially all of our business assets are located in China and all of our revenue was derived from sales in China during the Track Record Period. Accordingly, our financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and legal developments in China.

We are vulnerable to adverse changes in economic conditions and government policies.

The PRC economy differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC economy has been reformed from a planned economy to a market economy with socialist characteristics.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions. In recent years, the PRC Government has implemented various measures in an effort to stimulate the growth and structure of certain industries. However, there is no guarantee that these macroeconomic measures adopted by the PRC Government to stimulate economic growth are effective or that China will be able to sustain a high growth rate.

In addition, the PRC Government's implementation of measures to manage inflation may affect our ability to continue to expand our business. PRC Government has recently implemented a series of control measures, especially monetary policies, to limit inflation. In particular, PBOC raised the Renminbi deposit reserve ratio applicable to financial institutions with deposit businesses six times by 3% in total, and raised deposit and loan benchmark interest rates of financial institutions three times in 2011. In addition, PBOC also commenced frequent open market operations and implemented the dynamic adjustment mechanism of differential reserves to impose overall control on financing levels in China. Following the above-mentioned control measures, the inflation rate in China dropped to 1.7% in October 2012. The PBOC also lowered the Renminbi deposit reserve ratio applicable to financial institutions by 0.5% in December 2011, February 2012 and May 2012, respectively, and lowered the Renminbi deposit benchmark interest rate in June and July 2012, respectively, to achieve a soft landing of the economy. If in the future the PRC Government increases interest rates on bank loans and deposits and tightens the money supply to control growth in lending, our and our customers' abilities to obtain financing will be affected and in turn our growth and financial condition will be materially adversely affected.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

The legal system in China has inherent uncertainties that could limit the legal protections available to our Shareholders. Our business and operations are primarily conducted in China and are governed by PRC law, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade.

However, many of these laws and regulations are relatively new, and because of the limited volume of published decisions, the implementation and interpretation of these laws and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

Changes in PRC laws, regulations and policies may adversely affect our business, financial condition and results of operations.

Our operations, like those of other dairy farming companies in China, are subject to laws and regulations imposed by the PRC Government. These regulations affect many aspects of our operations, including the pricing of our product, utility expenses, industry-specific taxes and fees, business qualifications, capital investments, and environmental protection and safety standards. As a result, we may face significant constraints on our ability to implement our business strategies, to develop or expand our business operations or to maximize profitability if more strict requirements are imposed on us by PRC laws and regulations. Our business may also be adversely affected by future changes in the PRC Government policies applicable to our industry. Any negative policy reforms promulgated by the PRC Government in respect of the dairy farming industry may also have an adverse impact on our future operations.

In recent years, the PRC Government has implemented a series of new laws, regulations and policies which have imposed stricter standards with respect to, among other things, the supervision and inspection of enterprises engaged in animal husbandry and breeding, as well as the quality and safety controls such enterprises are required to adopt and their production and sale of raw milk. For example, the China Food and Drug Administration, together with eight other government departments, announced the adoption of a list of measures in June 2013 aimed at tightening supervision over infant formula products, including imposing strict management standards that apply to infant formula manufacturers as well as dairy farms. As a result, our customers may pass on to us any increase in costs relating to their compliance with these stricter regulations by requiring us to lower the selling prices of our raw milk, or we may incur additional costs in order to meet these higher standards, either of which may have a material adverse effect on our business and results of operations. See "Regulations — The Laws and Regulations Relating to the Industry" for more information. If the PRC Government continues to impose stricter regulations on the dairy farming industry, we could face higher costs in order to comply with such regulations, which could impact our profitability.

It may be difficult to effect service of legal process and enforce judgments obtained from non-PRC courts against the Company or our Directors or senior executive officers residing in China.

The Company is incorporated in Bermuda. Almost all of our assets and the majority of the assets of our Directors are located in China. Therefore, it may not be possible to effect service of process within the United States, Hong Kong or elsewhere outside China upon us or our Directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition,

Hong Kong has no arrangement with the United States for the reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

In addition, on 14 July 2006, China and Hong Kong signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matter by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned." Pursuant to such arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

The New Tax Law may affect tax exemptions on dividends received by us and by our Shareholders, as well as increase our enterprise income tax rate.

The Company is incorporated in Bermuda and indirectly holds interests in our PRC operating subsidiary. Pursuant to the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得税法) and the *Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得税法實施條例), which took effect on 1 January 2008, (the "New Tax Law"), dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed PRC resident enterprises are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax arrangement.

The *New Tax Law* provides that if an enterprise incorporated outside China has its "de facto management organization" located in China, such enterprise may be deemed a PRC resident enterprise for tax purposes and be subject to a uniform enterprise income tax rate of 25% on its worldwide income. "De facto management organization" is defined as the body that has significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation (the "SAT") promulgated a circular that sets out procedures and specific criteria for determining whether the "de facto management organization" for an overseas incorporated enterprise that is controlled by PRC enterprises is in fact located in China. However, as the circular only applies to overseas incorporated enterprises that are controlled by PRC enterprises, it remains unclear how the tax authorities will determine the location of a "de facto management organization" for an overseas incorporated enterprise that is controlled by individual PRC residents, such as the Company. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global income. In addition, although the *New Tax Law* provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of

the *New Tax Law*, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiary to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

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

Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

SAFE Circular requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside China, referred to in the notice as an "offshore special purpose company," for the purpose of capital financing with assets or equities of PRC companies. Any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration within 30 days after any major capital matters of the offshore special purpose company without any round-trip investment being made, such as any increase or decrease of capital, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party. Our 25 beneficial shareholders, including Mr. HL Zhao, Mr. HY Zhao, Meng Fanqing and Zhang Chaohui, who are domestic residents defined under *SAFE Circular*, have completed their foreign exchange registration at SAFE Heilongjiang branch as required under *SAFE Circular*. In addition, we may not be fully informed of the identities of all our future Shareholders who are PRC residents. Moreover, we do not have control over our Shareholders and cannot assure you that all of our PRC resident beneficial owners will comply with *SAFE Circular*. The failure of any of our Shareholders who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to *SAFE Circular* or the failure of any future Shareholders who are PRC residents to comply with the registration requirements set forth in *SAFE Circular* may subject such beneficial owners and our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute dividends to the Company or otherwise materially adversely affect our business.

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

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds from the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment which our major PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals

on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and would have a material adverse effect on our business, financial condition and results of operations.

We face uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our non-PRC holding companies.

The State Administration of Taxation issued the *Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知) ([2009] 698) (the "Circular 698") on 10 December 2009, which was made retrospectively effective from 1 January 2008. Pursuant to *Circular 698* and *SAT Announcement [2011] 24*, except for the purchase and sale of equity in a PRC resident enterprise through a public securities market, where a non-PRC resident enterprise indirectly transfers its equity interest in a PRC resident enterprise by disposing of its equity-interest in an overseas holding company (an "Indirect Transfer"), and such overseas holding company's jurisdiction: (i) has either an effective tax rate of less than 12.5% or (ii) does not tax on such transaction, the non-PRC resident enterprise shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the non-PRC holding company if it lacks a reasonable commercial purpose and is established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at 10%. *Circular 698* also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

In connection with our Reorganization, we conducted transactions that may be deemed to be Indirect Transfers of equity interests in our PRC subsidiaries. If the relevant PRC tax authorities hold that our overseas holding company's existence does not have commercial purpose and the Indirect Transfer was conducted for the purpose of avoiding PRC tax, or any such Indirect Transfer is otherwise taxable under *Circular 698*, we may be required to pay PRC withholding tax for such Indirect Transfer. However, since the implementations of *Circular 698* vary across different tax authorities, it remains unclear how the PRC tax authorities will examine the commercial purpose of non-PRC holding companies and Indirect Transfers generally.

Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse effect on our business, financial condition, results of operations and prospects, and may reduce the value of, and dividends payable on, Shares in the Global Offering in foreign currency terms.

Substantially all of our revenue and expenses are denominated in Renminbi, which is currently not a freely convertible currency. A portion of the revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on Shares in the Global Offering.

Under China's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to undertake current account foreign exchange transactions, including payment of dividends in foreign currency without prior approval from the SAFE or its local branches. However, in the future, the PRC Government may take measures, at its discretion, to restrict access to foreign currencies for current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of Shares in the Global Offering. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the U.S. dollar was generally stable. In July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. From July 2008 to June 2010, the Renminbi traded within a narrow range against the U.S. dollar. Since June 2010, the Renminbi has appreciated against the U.S. dollar, from RMB6.82 per U.S. dollar to RMB6.14 per U.S. dollar as of May 2013. It is difficult to predict how Renminbi exchange rates may change going forward. In April 2012, PBOC increased the floating range of the Renminbi's value against U.S. dollar from 0.5% to 1%. With such increased floating range, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

Certain of our assets are denominated in foreign currencies such as the U.S. dollar. In addition, the proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, Shares in the Global Offering in foreign currency. Furthermore, we are also currently required to obtain SAFE approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, Shares in the Global Offering in foreign currency terms.

Our business could be adversely affected by health epidemics and other outbreaks.

Our business could be adversely affected by the outbreak of any severe communicable diseases in China, such as severe acute respiratory syndrome, or SARS, strains of avian influenza, the human swine influenza A (H1N1) or other epidemic outbreak. In the past few years, there have been confirmed human cases of avian influenza outbreaks in China, including the H5N1 virus which has occurred in various parts of China and, more recently, the H7N9 virus which has been reported in several provinces. Any outbreak in the future of these and other diseases or other adverse public health developments in China, if protracted and uncontrolled, could lead to the contraction of such diseases among our employees or those with whom we regularly conduct business, require us to close our farms and facilities temporarily

to prevent the spread of the disease, or result in a widespread health crisis that could cause varying degrees of damage to the national and local economies. Moreover, in the event of any such outbreak, the World Health Organization or the PRC Government may recommend, or even impose, travel restrictions or restrictions on the flow of goods to and from areas affected by the virus. For these reasons, an outbreak of any severe communicable disease or other epidemic could disrupt our operations and have a material adverse effect on our revenue and profitability.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us (for the Company and on behalf of the Selling Shareholders) and the Joint Bookrunners on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. In addition, there can be no guarantee that: (i) an active trading market for our Shares will develop; or (ii) if it does develop, that it will be sustained following the completion of the Global Offering; or (iii) that the market price of our Shares will not decline below the Offer Price. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Group may affect the volume and price at which our Shares will be traded.

Future disposals of a substantial number of our Shares by our major Shareholders in the public market may cause downward pressure to the market prices of our Shares.

The disposals of a substantial number of our Shares in the public market after the Listing, or the possibility for such disposals, could adversely affect the market price of our Shares. Some of the Shares are subject to certain lock-up period, the details of which are set out in "Underwriting" in this Prospectus. The relevant Shareholders will be able to dispose of their Shares upon expiration of the lock-up period. Disposals of any substantial number of our Shares may cause downward pressures on the market price of our Shares.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face future dilution as a result of future equity financings.

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

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

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

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

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and dairy farming industry contained in this Prospectus.

Facts, forecasts and other statistics in this Prospectus relating to China, the PRC economy and dairy farming industry have been derived from official government publications and we can guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by us, and the Underwriters or any of its or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Forward-looking statements contained in this Prospectus are subject to risks and uncertainties.

This Prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to the Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking information.

Certain information relating to Feihe Dairy Group which is cited or extracted from the annual reports, announcements or other circulars of Feihe Dairy International contained in this Prospectus may not be unduly relied upon.

Certain information relating to Feihe Dairy Group which is cited or extracted from the annual reports, announcements or other circulars of Feihe Dairy International contained in this Prospectus (including without limitation that set out in Appendix V) is derived from public documents filed by Feihe Dairy International with the U.S. Securities and Exchange Commission. While our Directors have taken all reasonable care to ensure that the facts and statistics are accurately reproduced from such sources, such information has not been independently verified by us nor reviewed or audited by the reporting accountants and may be incomplete or out-of-date.

The Company, the Selling Shareholders, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering make no representation as to the accuracy or completeness of such information, take no responsibility for the contents of the said information (including without limitation that contained in Appendix V to this Prospectus) and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of such information. Accordingly, such information should not be unduly relied upon.

You should read this entire Prospectus carefully and should not consider or rely on any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information in this Prospectus.

Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Global Offering, including the news articles dated 25 October 2013 in *Hong Kong Economic Times*, 2 November 2013 in *Hong Kong Economic Journal*, and 4 November 2013 in *Oriental Daily News* and *the Sun*, in addition to marketing materials published by us in compliance with the Listing Rules. Such press and media coverage may include references to certain information that does not appear in this Prospectus or information that is inaccurate. We have not authorized any such information about us contained in such unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this Prospectus, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this Prospectus and should not rely on any of the information in press articles or other media coverage in making any decision as to whether or not to purchase the Offer Shares.

In preparation for the Listing, we have sought the following waivers from compliance with the relevant provisions of the Listing Rules:

PERMISSION TO LIST PURSUANT TO RULE 8.05(3) AND WAIVER UNDER RULE 8.05A OF THE LISTING RULES

Rule 8.05 of the Listing Rules provides that an issuer must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3).

Rule 8.05A of the Listing Rules provides that in the case of the market capitalization/revenue test, the Hong Kong Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rule 8.05(3)(a) and 8.05(3)(b) if the new applicant is able to demonstrate to the satisfaction of the Hong Kong Stock Exchange of the following:

(a) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new applicant; and

(b) management continuity for the most recent audited financial year.

The Company is applying for listing using the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules. Our Group only commenced commercial sale of its raw milk in October 2010. For such reasons, our Group may not be able to satisfy the trading record requirements of at least three financial years under Rule 8.05(3)(a) of the Listing Rules. Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.05(3)(a) pursuant to Rule 8.05A of the Listing Rules, for the following reasons:

(i) the executive Directors and senior management of the Company have sufficient and satisfactory experience of at least three years in the line of business and industry of the Company;

(ii) the Company has fulfilled the management continuity requirement for the three preceding financial years; and

(iii) the Company meets the other requirements set out in Rule 8.05(3) of the Listing Rules, namely, the ownership continuity and control requirement, market capitalization requirement and revenue requirement.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since the business, operations and production facilities of our Group are primarily located, managed and conducted in China, there is no business need to appoint executive directors in Hong Kong. All of the executive Directors and our Group's senior management are, and will continue to be, based in the PRC. Substantially all of our Group's assets are based in China. The Company does not, and does not contemplate in the foreseeable future that it will have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

An application for a waiver from compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules has been made to the Stock Exchange and such waiver has been granted by the Stock Exchange.

The arrangements proposed by the Company for maintaining at all times regular, adequate and effective communication with the Stock Exchange for the purposes of Rules 3.05, 3.06 and 8.12 of the Listing Rules are as follows:

(a) the Company has appointed and will continue to maintain two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as the Company's principal point of communication with the Stock Exchange. The two authorized representatives proposed to be appointed are Mr. Wang Shaogang (an executive Director) and Mr. Liu Gang (a joint company secretary of the Company). The authorized representatives will have the means to contact all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. They have provided their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange if necessary to deal with enquiries from the Stock Exchange from time to time. Each of the two authorized representatives is authorized to communicate on behalf of the Company with the Stock Exchange. The Company will inform the Stock Exchange promptly if there is any change in our authorized representatives or the contact details of any of them;

(b) each Director who is not ordinarily resident in Hong Kong currently possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time upon prior notice from the Stock Exchange, if required;

(c) the Company will, before the Listing Date, appoint Baron Global Financial Services Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as an additional point of contact between the Company and the Stock Exchange for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Company will inform the Stock Exchange promptly of any change of its compliance adviser;

(d) the Company will appoint other professional advisers (including legal advisers and accountants) to advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong and to ensure that there will be efficient communication with the Stock Exchange after the Listing; and

(e) each of our Directors has provided his respective mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange. In the event that a Director expects to travel outside Hong Kong, he shall provide to the authorized representatives the phone numbers of the place of his accommodations outside Hong Kong or the phone numbers where he can be contacted outside Hong Kong.

APPOINTMENT OF JOINT COMPANY SECRETARIES

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

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience:"

(a) length of employment with the issuer and other issuers and the roles he played;

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

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Liu Gang as one of our joint company secretaries. He joined our Group in January 2012 with sound understanding of the operations of our Board and the Company. Mr. Liu Gang has been closely involved in the preparation of our Listing and hence he is familiar with the legal and the Listing Rules' requirements. He also attended the training seminar delivered by the Company's legal advisers as to Hong Kong laws to the Directors and senior management of the Company. However, he does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Liu Gang will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Hong Kong Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Mr. Kwok Siu Man ("Mr. Kwok") who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Liu Gang in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Liu Gang to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary. Under the engagement letter made between the Company and Boardroom Corporate Services (HK) Limited ("BCS"), it has been agreed that BCS will agree to render corporate secretarial services to the Company, and Mr. Kwok has been nominated by BCS to assume the office of joint company secretary of the Company; and

- upon expiry of the three-year period, the qualifications and experience of Mr. Liu Gang will be re-evaluated. Mr. Liu Gang is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Mr. Kwok's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Liu Gang will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Liu Gang has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

CONTINUING CONNECTED TRANSACTIONS

In November 2013, our Group entered into master agreements for (i) purchase from the Dinghe Group of feeds and (ii) sales to Feihe Dairy Group (being deemed by the Stock Exchange as a connected person after Listing) of raw milk, which would constitute continuing connected transactions (or we agree to undertake to comply with Chapter 14A of the Listing Rules' requirements), and be subject to the various applicable requirements under Chapter 14A of the Listing Rules after the Listing.

Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in "Continuing Connected Transactions" in this Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms as set forth in "How to Apply for Hong Kong Offer Shares" in this Prospectus and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Hong Kong Public Offering.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this Prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this Prospectus and the relevant Application Forms.

UNDERWRITING

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

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company (for itself and on behalf of the Selling Shareholders), and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price. The International Offering is fully underwritten by the International Underwriters. The Global Offering is coordinated by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholders) and the Joint Bookrunners (on behalf of the Underwriters) by 25 November 2013, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to "Underwriting" in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

Under Section 44B(1) of the Companies Ordinance, any allocation made in respect of any application will be invalid if permission for listing of, or dealing in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of closing of the application list, or such longer period (not exceeding six weeks) as may, within the three weeks, be notified to the Company by the Stock Exchange.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Capitalization Issue and any Shares which may be issued under the Share Option Scheme. No part of the Share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering and any Shares to be sold upon exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme will be registered on the Company's Hong Kong register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained in Bermuda by Codan Services Limited. Dealings in Shares registered in the Hong Kong branch register of members of the Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Shares. None of the Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposing of, or dealing in, the Shares or the exercise of any rights attaching to the Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in "How to Apply for Hong Kong Offer Shares" in this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

CURRENCY TRANSLATIONS

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.7926 to HK$1.00, the exchange rate prevailing on 1 November 2013, set by PBOC for foreign exchange transactions. Discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

LANGUAGE

If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this Prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhao Hongliang (趙洪亮)	No.137, Erzu, Yiwei, Zone B Zhaoguang Nongken Community Bei'an City Heilongjiang Province, PRC	Chinese (Permanent resident of Republic of Guinea-Bissau)
Mr. Wang Shaogang (王紹崗)	Room 601, Unit 1, Building 3 Huaihe Community No. 17 Huaihe Road Daowai District Harbin City Heilongjiang Province, PRC	Chinese
Mr. Fu Wenguo (付文國)	Yizu, Siwei, Baoan Street Kedong Town, Kedong County Qiqihar City Heilongjiang Province, PRC	Chinese
Ms. Su Shiqin (蘇士芹)	No. 56, Sanzu, Siwei, Zone C Zhaoguang Nongken District Bei'an City Heilongjiang Province, PRC	Chinese
Non-executive Directors		
Mr. Sun Wei (孫瑋)	Room 302, No 18, Tian An Garden Alley 800, Jin Xiu Road Shanghai, 200134 PRC	Chinese
Mr. Lau Ho Fung (劉浩峰)	Flat G, 23/F, Block 3 Kwai Fong Terrace Kwai Chung, N.T. Hong Kong	Chinese (Permanent resident of Hong Kong)

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Wu Chi Keung (胡志強)	Flat A, 9/F, Block 2 Braemar Hill Mansion 17 Braemar Hill Road North Point Hong Kong	Chinese (Permanent resident of Hong Kong)
Mr. Zhang Yuezhou (張月周)	Room 602, No. 129 1266, Gu Dai Road Minhang District Shanghai, PRC	Chinese
Mr. Zhu Zhanbo (朱戰波)	Room 402, Block 2 8 Agricultural Plot Saertuqu, Daqing Heilongjiang Province PRC	Chinese

PARTIES INVOLVED

Joint Sponsors (in alphabetical order)	China Securities (International) Corporate Finance Company Limited Suites 1301–1305, Two Exchange Square 8 Connaught Place Central, Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Joint Global Coordinators (in alphabetical order)	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong

Joint Bookrunners (in alphabetical order)	China Securities (International) Brokerage Company Limited Suites 1301–1305, Two Exchange Square 8 Connaught Place Central, Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Joint Lead Managers (in alphabetical order)	China Securities (International) Brokerage Company Limited Suites 1301–1305, Two Exchange Square 8 Connaught Place Central, Hong Kong Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Financial Adviser to the Company	VMS Securities Limited Suites 4112–4114 41/F, Jardine House 1 Connaught Place Central Hong Kong
Legal Advisers to the Company	*As to Hong Kong Laws:* Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Central Hong Kong

	As to U.S. Laws: Troutman Sanders LLP 36th Floor, China World Office 2 1 Jianguomenwai Dajie Chaoyang District Beijing 100004, PRC *As to PRC Laws:* Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing 100025, PRC *As to Bermuda Laws:* Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Legal Advisers to the Underwriters	*As to Hong Kong and U.S. Laws:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place, Central Hong Kong *As to PRC Laws:* Commerce & Finance Law Offices 6th Floor, NCI Tower A12 Jianguomenwai Avenue Beijing PRC
Auditors and Reporting Accountants	Ernst & Young Certified Public Accountants 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong

Biological Assets Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong

Registered Office	Clarendon House 2 Church Street Hamilton HM 11, Bermuda
Principal Place of Business and Address of Headquarters in the PRC	Qingxiang Street Kedong, Qiqihar Heilongjiang Province PRC
Principal Place of Business in Hong Kong	31st Floor, 148 Electric Road North Point Hong Kong
Joint Company Secretaries	Kwok Siu Man (Fellow, The Hong Kong Institute of Chartered Secretaries) Liu Gang
Company's Website	www.ystdfarm.com or www.ystdairyfarm.com (information on or referred to on these websites does not form part of this Prospectus)
Authorized Representatives	Mr. Wang Shaogang (王紹崗) Room 601, Unit 1, Building 3 Huaihe Community No. 17 Huaihe Road, Daowai District Harbin City Heilongjiang Province PRC Mr. Liu Gang (劉剛) 7A, Caiyun Ge, Minning Yuan Caitian Bei Rd, Futian Shenzhen, Guangdong PRC
Audit Committee	Mr. Wu Chi Keung (胡志強) *(Chairman)* Mr Zhang Yuezhou (張月周) Mr. Zhu Zhanbo (朱戰波)
Remuneration Committee	Mr. Zhang Yuezhou (張月周) *(Chairman)* Mr. Zhu Zhanbo (朱戰波) Mr. Wu Chi Keung (胡志強) Mr. HL Zhao

Nomination Committee	Mr. Zhu Zhanbo (朱戰波) *(Chairman)* Mr. Wu Chi Keung (胡志強) Mr. Zhang Yuezhou (張月周) Mr. Fu Wenguo (付文國)
Principal Share Registrar and Transfer Office in Bermuda	Codan Services Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Compliance Adviser	Baron Global Financial Services Limited 18th Floor, Prosperity Tower 39 Queen's Road Central Central Hong Kong
Principal Bankers	Agricultural Development Bank of China, Kedong Branch BaoAn Street Kedong County Qiqihar Heilongjiang PRC Agricultural Bank of China, Zhenlai Branch No. 155, West Nenjiang Road Zhenlai County Baicheng City Jilin Province PRC

Investors should note that we have engaged Euromonitor International, an experienced consultant in the dairy sector, to prepare an industry report for use in this Prospectus. Euromonitor International prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Euromonitor International contacts companies operating in the industry to gather and synthesize information about the market, prices and other relevant information. Euromonitor International has assumed that the information and data which it relied on are complete and accurate.

Euromonitor International has provided part of the statistical and graphical information contained in this section. Euromonitor International has advised that: (i) some of the information in its database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other data collection agencies may differ from the information in its database.

We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. The Company, the Selling Shareholders, Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside China. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

Unless and except as otherwise specified, the market and industry information and data presented in this section are derived from the industry report prepared by Euromonitor International.

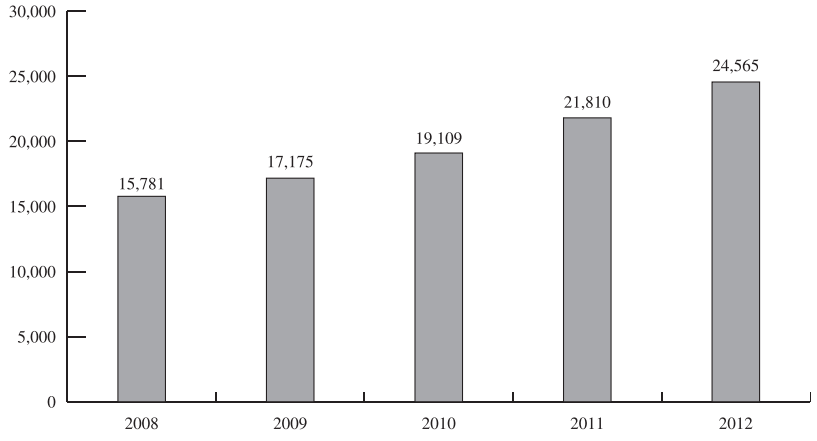
China's dairy sector has seen significant developments in both quality and quantity of raw milk and dairy products in recent years. China's rapid urbanization has been the driving force behind the growth in consumption of dairy products, particularly high-end and high-priced dairy products. The rise in per capita annual disposable income of urban residents, lifestyle changes and shifts in consumer spending patterns have contributed to the increasing popularity of dairy products in China. In addition, as a result of the increasing demand for safe and high-quality dairy products and the development of the high-end dairy market in China, dairy products manufacturers are increasingly focused on securing direct, stable and reliable supplies of premium raw milk, the quality of which significantly enhances the quality, unit production volume and taste of consumable dairy products. Furthermore, in recent years, there has been a gradual increase in the number of large-scale dairy farms utilizing modern technologies and advanced farming method to meet the increasing demand for premium raw milk. These changes, coupled with the PRC Government's nationwide policies promoting safer and higher quality dairy products for consumers, are helping to propel the continued evolution of China's dairy farming industry.

THE MARKET FOR DAIRY PRODUCTS IN CHINA

Consumption of Dairy Products

Urbanization in China has enabled its rural population to migrate to urban areas to seek higher wages. According to *National Bureau of Statistics of China (中華人民共和國國家統計局)*, China's total population was 1,354.0 million in 2012. Its urban population had risen from 624.0 million in 2008 to 711.8 million in 2012, accounting for 47.0% and 52.6%, respectively, of the total population. This progressive increase in urban population as well as significant improvements in the standard of living, fueled by China's rapid economic growth, continue to raise average incomes and boost the spending power of China's consumers. According to *National Bureau of Statistics of China*, the per capita annual disposable income of urban residents in China increased from approximately RMB15,781 in 2008 to approximately RMB24,565 in 2012, representing a CAGR of 11.7%. The following chart sets forth the per capita annual disposable income of urban residents in China from 2008 to 2012:

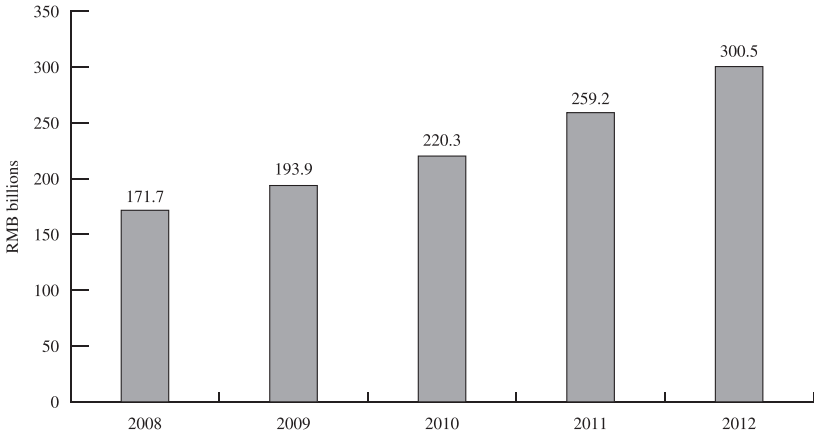
Per Capita Annual Disposable Income of Urban Residents in China (2008–2012)



Source: National Bureau of Statistics of China

According to *Euromonitor International*, increasing disposable income has a positive impact on the dairy market, particularly on the premium dairy products market. Furthermore, urban residents consume far more dairy products than rural residents. In 2011, the annual per capita consumption of white milk was 13.7kg for the urban residents, but only 1.7kg for the rural residents. As a result, the rise in per capita annual disposable income of urban residents, along with lifestyle changes and shifts in consumer spending patterns, has led to an increase in the consumption of dairy products in China. According to *Euromonitor International*, the total value of retail sales of dairy products in China grew from approximately RMB171.7 billion in 2008 to approximately RMB300.5 billion in 2012, representing a CAGR of 15.0%, as illustrated in the chart below:

Value of Retail Sales of Dairy Products in China (2008–2012)

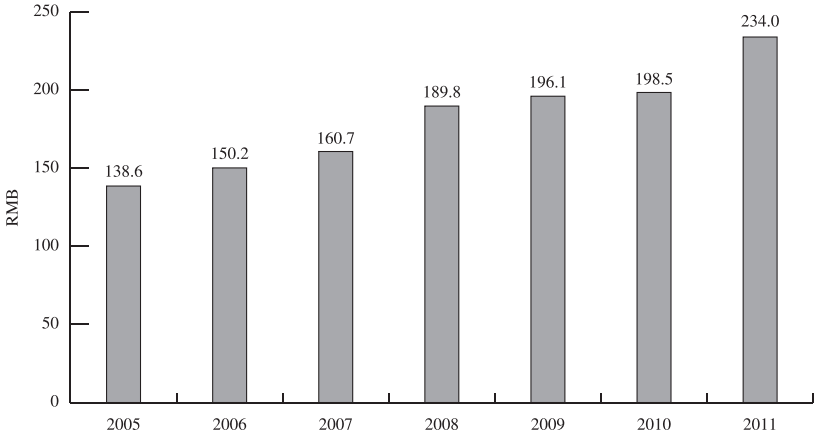


Source: Euromonitor International

Furthermore, the value of retail sales of dairy products in China is expected to continue to grow, and is forecast by *Euromonitor International* to increase at a CAGR of 12.1% from 2013 to 2017.

The per capita annual consumption of dairy products of urban residents increased from RMB138.6 in 2005 to RMB189.8 in 2008. However, the melamine incident in 2008 had a significant negative impact on the consumption of dairy products in China, particularly of dairy products manufactured using domestically produced raw milk. Per capita annual consumption experienced a slow growth from 2008 to 2010. Following a recovery of consumer confidence in domestic dairy products that primarily resulted from the PRC Government's introduction of more stringent quality control measures and food safety laws in response to the incident, per capita annual consumption of dairy products in China increased to RMB234.0 in 2011. The chart below sets forth per capita annual consumption of dairy products of urban residents in China from 2005 to 2011:

Per Capita Annual Consumption of Dairy Products of Urban Residents in China (2005–2011)



Source: Euromonitor International, China Dairy Statistical Yearbook 2012 (中國統計年鑒 — 2012)

Key Dairy Products Manufacturers in China

China's dairy products market is fragmented. While Mengniu Group, Yili Group and Bright Dairy Group are the three largest dairy products manufacturers in China with a consolidated market share of 21.8% in 2012, each of the remaining market players has no more than 2.0% market share.

Demand for High-quality Dairy Products

Historically, the supply of raw milk from dairy farms to dairy products manufacturers was largely dependent upon a network of mostly independent milk stations and agents who collected milk from individual, small- and mid-scale farms and delivered it to dairy products manufacturers. With over one million milk suppliers, the lack of a regulated collection process led to the melamine incident in 2008, which involved product tampering and raw milk contamination. The incident has resulted in a greater focus on product safety and quality, the preference by dairy products manufacturers for sourcing raw milk from reputable suppliers for their dairy products, and increased government support of the development of safe and high-quality dairy products. Due in part to this incident, sales of premium raw milk have increased significantly since 2009.

According to *Euromonitor International*, there has been a significant shift in the demand for high-priced premium dairy products since 2008, the year in which the melamine incident occurred, due to consumers' focus on product safety and quality. Premium liquid milk, which is recognized as premium products by their product claims and typically sold at a retail selling price that is at least 30% higher than that of regular liquid milk products, accounted for 8.4% of the market in terms of the value of retail sales in 2008. However, the market share of premium liquid milk increased to 14.9% in 2012. In addition, the value of retail sales of premium liquid milk increased from RMB10.2 billion in 2008 to RMB30.4 billion in 2012, representing a CAGR of 31.4%.

To meet consumer demand for safe and high-quality dairy products, dairy products manufacturers in China have increased their focus on offering high-end dairy products, such as Mengniu's *Milk Deluxe* (特侖蘇), Yili's *Satine* (金典) and Bright Dairy's U^+ (優$^+$). These are perceived as premium dairy products and distinguished by their prices, which are significantly higher than the prices of regular dairy products. Because the safety and quality of raw milk are critical to the production of high-end dairy products, dairy products manufacturers now seek to procure high-quality raw milk from reputable suppliers that operate larger scale and more modernized dairy farms to ensure their access to safe raw milk.

The melamine incident in 2008 also prompted the PRC Government to implement and enforce stricter regulations regarding food safety, such as the *Food Safety Law of the PRC* (中華人民共和國食品安全法) and the *Conditions for Admission to the Dairy Product Processing Industry* (乳產品加工行業准入條件), and to improve and tighten the oversight of food safety controls and standards. The enforcement of new laws, stricter regimes and more severe punishments is expected to ultimately benefit larger and more modernized dairy farming companies, from whom downstream dairy products manufacturers are expected to increase their supplies of raw milk as they exert greater control over the supply chain. For more information regarding the food safety regulations, see "Regulations — The Laws and Regulations Relating to the Industry."

Demand for Premium Raw Milk in China

As a result of the emerging demand for safe and high-quality dairy products and the development of high-end dairy products in China, dairy products manufacturers are focused on securing direct, stable and reliable sources of premium raw milk. The quality of raw milk has a significant effect on the quality, unit production volume and taste of consumable dairy products. Premium raw milk not only minimizes the risk of potential contamination, but also improves the taste, and hence the profitability, of dairy products. Furthermore, the government's increasing focus on developing safe and high-quality dairy products has also promoted the development of the high-end segment of the dairy products industry, which in turn has expanded the market for premium raw milk. Dairy farms seeking to produce raw milk that meets high safety and quality standards must adhere to strict requirements and procedures at each stage of the raw milk production process and select dairy cows with specific genetic requirements. As such, only a limited number of dairy farms in China have the scale, technologies, facilities and know-how to produce premium raw milk that meets the specifications of dairy products manufacturers for their high-end dairy products.

Recent Developments in the Dairy Products Market in China

In early August 2013, Fonterra Co-operative Group Limited ("Fonterra") informed authorities in New Zealand that certain batches of its whey protein concentrate produced at a Fonterra processing facility in New Zealand contained Clostridium botulinum, a strain of bacteria that can cause a potentially fatal paralytic illness known as botulism. The news prompted the PRC Government to impose restrictions on the imports of certain Fonterra products into China, and led to the recall of certain brands of dairy products that were suspected of containing the tainted ingredient or were packaged in the said New Zealand facility. However, on 28 August 2013, Fonterra and New Zealand government officials issued statements confirming that further testing revealed the bacteria found in Fonterra products to be Clostridium sporogenes, which, according to the statements, is not associated with any known food safety issues and is not capable of causing botulism.

In August 2013, a number of foreign manufacturers whose infant formula is sold in China were investigated and fined by the PRC Government for price-fixing and anti-competitive practices. Following the investigation, some foreign manufacturers significantly reduced the prices of their infant formula in the PRC market. If this trend continues, domestic infant formula manufacturers could potentially face increased competition from these foreign manufacturers, and consequently be forced to lower the selling prices of their own infant formula products. In such event, these domestic infant formula manufacturers could seek to renegotiate their raw milk supply contracts with their raw milk suppliers to reduce the selling prices of raw milk.

In addition, in July 2013, there were controversial reports regarding infant formula products manufactured by certain domestic brands that were found to contain trans-fatty acids, including infant formula products manufactured by Yili Group, one of our top five customers. While experts disagree as to whether such content poses a health risk to infants, and although the levels of trans-fatty acids found in these domestic brands of infant formula are purported to be within national and international safety standards, any such adverse publicity could have a negative impact on demand for, and sales of, PRC branded infant formula products, which could in turn curtail demand for raw milk supplies in general. As of the Latest Practicable Date, these reports had not had, and our Directors do not believe that such reports will have, a material impact on our overall sales of raw milk to our customers, including our

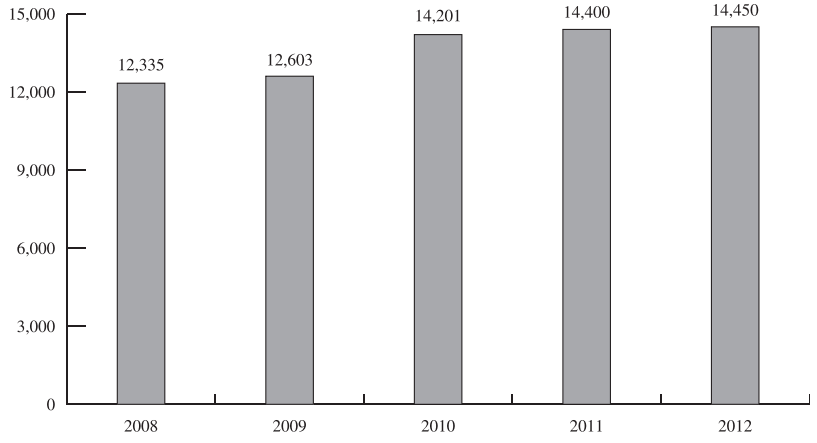
sales to Yili Group, whose branch offices that procure raw milk from us are not in the business of manufacturing infant formula products. However, any decrease in market demand for infant formula products in general could cause our raw milk sales to decline, which would in turn adversely affect our results of operations and profitability.

DAIRY FARMING INDUSTRY IN CHINA

Overview

The dairy farming industry in China continues to be extremely fragmented and is largely dominated by individual farms with fewer than 20 cows per farm. However, there has been a gradual increase in the number of large-scale farms in recent years due to the significantly higher efficiency and productivity of farms with scale, the introduction of more favorable government policies towards such farms in the wake of the melamine incident in 2008, and a greater focus on the safety and quality of raw milk supplies. According to *Euromonitor International*, the number of large-scale dairy farms had risen from 453 farms in 2008 to 1,133 farms in 2012, representing a CAGR of 25.8%. Large-scale dairy farms, representing less than 0.1% of the total number of dairy farms in China in 2012, accounted for 16.1% of total raw milk production in China in the same year. In addition, after the melamine incident in 2008, many individual farms and small-scale farms slaughtered or sold their cows, resulting in relatively flat growth in the number of dairy cows in China. However, as China's dairy market gradually recovered, the number of dairy cows increased from 12.3 million in 2008 to 14.5 million in 2012, as shown in the chart below:

Number of Dairy Cows in China ('000s) (2008–2012)

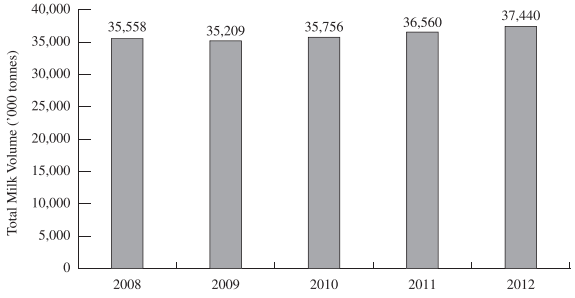


Source: Euromonitor International

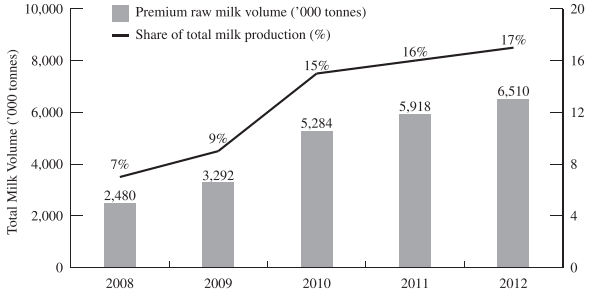
Raw Milk Production in China

According to *Euromonitor International* and *China Dairy Statistical Yearbook 2012*, raw milk production in China grew rapidly at a CAGR of 20.0% between 2000 and 2008 due in part to a rise in the average annual milk yield per cow, which increased from 2.6 tonnes in 2000 to 4.6 tonnes in 2008. While the melamine incident in 2008 reduced demand and led to a temporary decrease in levels of raw milk production compared to production levels in 2007, raw milk production gradually recovered from 2009 to 2011 and further increased in 2012, along with the increased average annual milk yield per cow of 5.5 tonnes in 2012. In particular, the production of premium raw milk, a majority of which is undertaken by large-scale dairy farms, increased rapidly from 2009 to 2011, and continued to increase in 2012. The charts below show the total raw milk production and premium raw milk production in China from 2008 to 2012:

Raw Milk Production in China ('000 tonnes) (2008–2012)



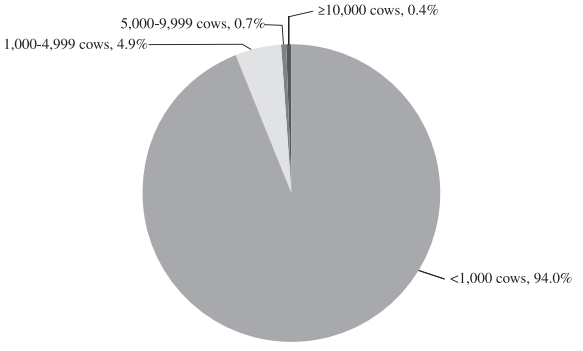
Premium Raw Milk Production in China (2008–2012)



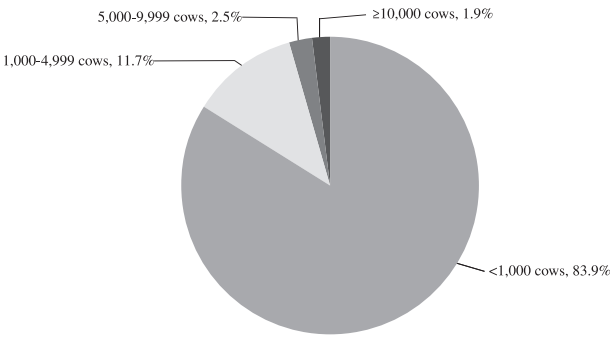
Source: Euromonitor International

Additionally, the market share of large-scale dairy farms in terms of raw milk production had increased from 2008 to 2012. According to *Euromonitor International,* raw milk produced by large-scale farms accounted for 6.0% of China's total raw milk production in 2008; by 2012, this number had increased to 16.1%. The charts below set forth the proportion of raw milk in China produced by farms of different sizes in 2008 and in 2012.

Production of Raw Milk by Dairy Farm Size (2008)



Production of Raw Milk by Dairy Farm Size (2012)



Source: Euromonitor International

Assessment of Raw Milk Quality

Raw milk quality is assessed based on four indicators, namely microbe count, SCC, protein content and fat content. Dairy farming companies constantly monitor these four indicators and take efforts to improve raw milk quality by excelling in these four areas. In terms of these four indicators, the average quality of raw milk in China continues to be low compared to that in other countries. In addition, China's raw milk standards are significantly lower than the standards adopted by the EU, which is among the world's highest industrial standards for raw milk and other dairy products. The assessment of raw milk quality involves a safety standard assessment and nutritional standard assessment. For safety purposes, any raw milk offered for sale within the EU must meet basic milk quality requirements with a microbe count of not more than 100K/ml and a SCC of not more than 400K/ml. In China, the new industry standard requires microbe count of not more than 2,000K/ml and there is no requirement for SCC. For nutritional purposes, the PRC Government requires raw milk to have a minimum protein content and fat content of 2.8% and 3.1%, respectively, while the EU does not impose a nutritional standard for raw milk. The table below sets forth the respective quality requirements of raw milk in China and the EU:

	China Standard[(1)(2)]	EU Standard[(2)(3)]
Safety Standard		
Microbe count[(4)]	≤2,000K/ml	≤100K/ml
SCC[(4)]	N/A	≤400K/ml
Nutritional Standard		
Protein[(5)]	≥2.8%	N/A
Fat[(5)]	≥3.1%	N/A

Notes:

(1) As set forth in the National Food Safety Standard — Raw Milk published on 26 March 2010.

(2) Indicators for freshly milked raw milk and before treatment.

(3) As set forth in the Raw Milk quality standards in Council Directive 92/46/EEC adopted in the EU.

(4) Microbe count and SCC are two of the major indicators used to determine the safety of raw milk. Generally, a lower SCC indicates better animal health, while a lower microbe count indicates improved sanitation. The China Standard does not impose a maximum SCC requirement.

(5) Fat content and protein content are two major indicators used to determine the nutritional value of raw milk. Generally, a higher fat and protein content indicates higher quality. The EU Standard does not impose a minimum fat or protein requirement.

Sources: Ministry of Health of the PRC, EUR-Lex, a database of EU Law

Safety standard

In recent years, China has seen an increase in consumer demand for high-quality dairy products that are safe and nutritious. High-quality raw milk is primarily used to manufacture high-end dairy products. Defects in raw milk cannot be removed during processing and often become more pronounced when the raw milk is processed. It is therefore critical for raw milk to have a low microbe count and low SCC, which indicate a safe and high-quality product. In the United States, certain methods to assess safety, including the SCC and standard plate count, or the SPC, are mandated by the federal *Grade "A" Pasteurized Milk Ordinance*, which is a document that specifies the safety standards of Grade "A" milk.

- *Microbe count*: Raw milk at the time of leaving the udder of healthy cows normally contains very low numbers of micro-organisms. The health and hygiene of the cow, the environment in which the cow is housed and milked, and the procedures used in cleaning and sanitizing the milking and storage equipment are all key factors that affect the microbe count of raw milk. A low microbe count in raw milk generally indicates good quality and a low risk of contamination.

- *SCC*: Somatic cells originate from inside a cow's udder. One characteristic feature of cows with mastitis, an infection of the udder, is a significant elevation in the number of somatic cells in raw milk. Raw milk from uninfected mammary glands usually contains a low SCC, which is an indication of its safety and high quality.

Nutritional standard

Milk provides various kinds of nutrients, including protein and fat which are of significant importance.

- *Milk proteins*: The protein in cow's milk promotes the healthy growth and development of human body, transports various nutrients throughout the body and boosts the immune system. The level of protein content can be increased with improvements in both the nutritional quality of feed and herd management. As a result, raw milk with a high level of protein content is considered premium quality milk from a well-managed farm.

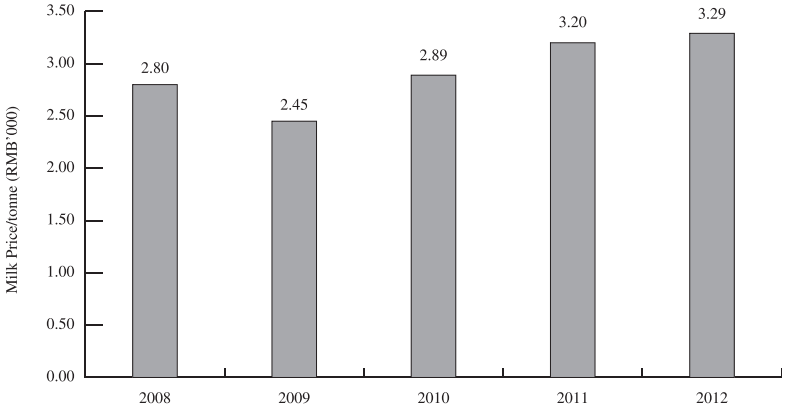
- *Milk fat*: Milk contains all the major vitamins, while the fat-soluble vitamins A, D, E and K are found mainly in milk fat. Similar to protein content, the fat content of raw milk can be increased with improvements in both the nutritional quality of feed and herd management. As a result, raw milk with a high fat content is considered premium quality milk from a well-managed farm.

Raw Milk Pricing

For large-scale dairy farms with direct arrangements with dairy products manufacturers, prices are typically set through specific bilateral contracts. Premium raw milk producers generally have more bargaining power over prices, particularly when the supply of premium raw milk falls short of demand.

Several factors affect the price of raw milk, including the quality of raw milk as measured by metrics, such as protein content and fat content, as well as safety standards, and the price of feed. These factors in turn are affected by changes in the prices of key commodities such as corn, shifts in raw milk supply by region and overall changes in competitive market dynamics for processed dairy products. Market demand for dairy products also has a material impact on the price of raw milk. In 2009, raw milk prices in China decreased dramatically as demand for dairy products saw a significant decline nationwide due to the 2008 melamine incident. When demand began to recover in 2010 and caused raw milk demand to outstrip supply, the price of raw milk rebounded in 2010. Raw milk prices continued to rise from 2011 to 2012. Furthermore, according to *Euromonitor International*, raw milk price increases were more obvious for premium raw milk than for low-grade raw milk. The chart below sets forth the average prices of raw milk from major production regions of China since 2008:

Average Price of Raw Milk from Major Production Regions of China (2008–2012)



Source: Euromonitor International

Classification of Raw Milk Quality

The quality of raw milk is reflected in its selling price, and high-quality raw milk is generally sold at a higher price than low-quality milk in same regions in the same year. According to *Euromonitor International* and based on its trade interviews with industry experts and dairy farming companies, the classification of raw milk quality, based on the average selling price in major production regions in 2012, is as follows:

- *Low-grade raw milk:* Raw milk of a comparatively lower quality, typically with an average selling price lower than RMB3,000 per tonne.

- *Mid-grade raw milk:* Raw milk of a medium quality, typically with an average selling price of between RMB3,000 to RMB3,800 per tonne.

- *Premium raw milk:* Raw milk of a premium quality, typically with an average selling price higher than RMB3,800 per tonne.

- *Super premium raw milk:* Raw milk of a super premium quality, typically with an average selling price higher than RMB4,000 per tonne.

Development of Large-scale Dairy Farms

The number of large-scale dairy farms has gradually increased in recent years, driven by the growing demand of consumers for premium raw milk as well as dairy products manufacturers' increasing focus on securing direct, stable and reliable supplies of raw milk. With an attempt to secure direct, stable and reliable supplies of premium raw milk, dairy products manufacturers thrive to keep a well-maintained relationships with the dairy farms and are willing to provide business supports at various levels.

Compared with other large-scale dairy farms, mega-scale dairy farms grew at a faster rate. Large-scale farms, particularly the mega-scale farms, typically receive higher levels of capital investments, utilize more advanced technologies and employ more advanced and standardized farming methods, which generally enable them to achieve higher quality milk and higher milk yield than farms of a smaller scale. While the number of large-scale farms has increased, there are still significantly fewer large-scale dairy farms in China than in more developed markets.

The PRC Government has, both at a national and regional level, implemented several policies to support the development and expansion of larger scale farms. At the provincial government level, initiatives have been implemented including the arrangement of a special budget by the NDRC to fund the reconstruction and expansion of large-scale dairy farms with standardized operating methods. Large-scale farms utilizing more efficient farming methods, such as the industrialized free stall farming method and improved feed management, lead to more efficient use of land than smaller scale farms. The number of large-scale dairy farms in China is expected to increase and, combined with an increase in the overall demand for dairy products, drive the continued growth of the dairy farming industry and raw milk supplies.

Competitive Landscape of the Dairy Farming Industry in China

The dairy farming industry remains under-developed in China. According to *Euromonitor International*, more than 99.9% of over two million dairy farms in China had fewer than 1,000 cows in 2012. The following table sets forth the top ten dairy farming companies in China in terms of raw milk production volume in 2012:

Top 10 Dairy Farming Companies — Ranking by Raw Milk Production Volume in 2012[(1)]

Ranking	Company Name	Unit: '000 tonnes
1	China Modern Dairy Holdings Ltd.[(3)]	497.0
2	Liaoning Huishan Dairy Group[(2)]	388.7
3	Beijing Sanyuan Lvhe Dairy Co., Ltd.[(2)]	224.2
4	**Our Group[(3)]**	**168.0**
5	Shanghai Dairy Group Co., Ltd.[(2)]	154.2
6	Jilin Guangze Dairy Farm Co., Ltd.[(2)]	116.9
7	Tianjin Jialihe Dairy Farm Co., Ltd.[(3)]	104.7
8	Dongying Aoya Modern Dairy Farm Co., Ltd.[(3)]	77.2
9	Shanghai Bright Holstein Dairy Farm Co., Ltd.[(2)]	59.0
10	Nanjing Dairy (Group) Co., Ltd.[(2)]	53.6

Notes:

(1) Ranking is based on raw milk produced by cows in dairy farms that the relevant company operates directly. Raw milk produced by cows in dairy farms that are not directly operated by such company or that are simply managed by such company are not included in the ranking data.

(2) Dairy farms directly operated by the relevant company in 2012 included both self-owned and non self-owned dairy farms.

(3) All dairy farms directly operated by the relevant company in 2012 were self-owned dairy farms. Self-owned dairy farms refer to dairy farms that are wholly or partially owned by the relevant company. In the case of partially self-owned dairy farms, the relevant company usually owns the majority shares of such dairy farms or has decision-making influences on them.

Source: Euromonitor International

The following table sets forth the top ten dairy farming companies in China in terms of herd size as of 31 December 2012:

Top 10 Dairy Farming Companies — Ranking by Herd Size as of 31 December 2012[1]

Ranking	Company Name	Unit: '000 heads
1	China Modern Dairy Holdings Ltd.[3]	176.3
2	Liaoning Huishan Dairy Group[2]	119.0
3	Beijing Sanyuan Lvhe Dairy Co., Ltd.[2]	45.0
4	Shanghai Dairy Group Co., Ltd.[2]	40.8
5	**Our Group[3]**	**37.0**
6	Jilin Guangze Dairy Farm Co., Ltd.[2]	31.3
7	Tianjin Jialihe Dairy Farm Co., Ltd.[3]	23.8
8	Dongying Aoya Modern Dairy Farm Co., Ltd.[3]	20.5
9	Nanjing Dairy (Group) Co., Ltd.[2]	17.4
10	Shanghai Bright Holstein Dairy Farm Co., Ltd.[2]	15.5

Notes:

(1) Ranking is based on number of cows in dairy farms that the relevant company operates directly. Cows in dairy farms that are not directly operated by such company or that are simply managed by such company are not included in the ranking data.

(2) Dairy farms directly operated by the relevant company in 2012 included both self-owned and non self-owned dairy farms.

(3) All dairy farms directly operated by the relevant company in 2012 were self-owned dairy farms. Self-owned dairy farms refer to dairy farms that are wholly or partially owned by the relevant company. In the case of partially self-owned dairy farms, the relevant company usually owns the majority shares of such dairy farms or has decision-making influences on them.

Source: Euromonitor International

The large-scale dairy farming industry has a relatively high entry barrier, requiring substantial capital investments, management's experience and government support. Because dairy farms seeking to produce raw milk that meets high safety and quality standards must adhere to strict requirements and procedures at each stage of the raw milk production process and select dairy cows with specific genetic requirements, small dairy farms find it difficult and costly to produce premium raw milk. Large-scale farms need to employ modern technologies and advanced farming methods in order to operate at significantly higher efficiency and productivity levels, achieve higher milk quality and yields, and further grow their market share through further expansion. Consequently, only a limited number of dairy farms in China are able to produce premium raw milk and, as such, the market in which they operate is not regarded as highly competitive. Furthermore, mega-scale dairy farms, which grew from three in 2008 to 16 in 2012, have even higher requirements on the land size and capital investments than the large-scale dairy farms with fewer than 10,000 dairy cows. As a result, the market in which the mega-scale dairy farms operate does not face much competition.

REPORTS COMMISSIONED FROM EUROMONITOR INTERNATIONAL

Euromonitor International, an independent market research and consulting company, was commissioned by the Company to conduct an analysis of, and to report on, dairy farming, raw milk and dairy products industries in China, from 2008 to 2012. The report commissioned has been prepared by *Euromonitor International* independent of our influence and was published in May 2013. We paid Euromonitor International fees of RMB678,760, which we consider reflects market rates.

Euromonitor International's independent research was undertaken through both primary and secondary research obtained from various sources within China. Primary research involved interviews with leading industry participants from the raw milk and dairy products industries, manufacturers, distributors, retailers, national or regional industry trade associations, government, semi-official and other segment observers. Secondary research involved gathering and reviewing company reports, independent research reports and data based on Euromonitor International's own research database. No data modeling has been performed in this research, therefore no parameters were applied. On the other hand, historical data that Euromonitor International gathered and obtained were based on its consecutive tracking in the relevant industries in China during the historical period, therefore no assumptions have been set. In ensuring forecast accuracy, Euromonitor International adopted its standard practice of both quantitative as well as qualitative forecast in terms of factors including market size and growth trends, on the basis of a comprehensive and in-depth review of historical market development, and a cross check with established government or industry figures, and interviews conducted with industry participants and experts.

All primary and secondary research sources are first standardized, checked and validated to ensure that Euromonitor International has a robust research feed to the analysis. A critical analysis of all sources and insights is conducted whereby data, insights and hypotheses are compared to arrive at a set of data and conclusions. Through the above measures and procedures, all reasonable efforts have been taken to ensure the credibility and accuracy of the relevant statistics.

THE LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Our Group carries out its operations primarily through four dairy farms located in China. The current business operations of our Group mainly include feeding, breeding, and milking of dairy cows, and sale of raw milk. All these activities are subject to relevant laws, regulations, rules and government policies of the PRC. We summarize the main relevant laws, regulations, rules and industrial policies as follows:

Establishment, Operation and Management of a Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in China are governed by the *Company Law of the PRC* (中華人民共和國公司法) (the "Company Law"), which was adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993 and with effect from 1 July 1994. It was last amended on 27 October 2005 and with effect from 1 January 2006. Under the *Company Law*, companies are generally classified into two categories — limited liability companies and companies limited by shares. The *Company Law* also applies to foreign-invested limited liability companies. According to the *Company Law*, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the *Wholly Foreign-owned Enterprise Law of the PRC* (中華人民共和國外資企業法) (the "Wholly Foreign-owned Enterprise Law"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the *Implementation Rules to the Wholly Foreign-owned Enterprise Law* (中華人民共和國外資企業法實施細則), which were promulgated on 12 December 1990 and amended on 12 April 2001.

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

Guidance on foreign investment in different industries in the PRC can be found in the *Foreign Investment Industrial Guidance Catalog* (外商投資產業指導目錄) (the "Catalog"), jointly issued by the NDRC and MOFCOM. The *Catalog* will be amended and re-promulgated from time to time by these two government authorities. Industries generally fall into four categories for the purposes of guiding foreign investment: encouraged, permitted, restricted and prohibited. The *Catalog* only lists out specific industries falling under the encouraged, restricted and prohibited categories, and what is not listed there would be considered to be under the permitted category. The current effective version of the *Catalog* was issued on 24 December 2011 and became effective on 30 January 2012. According to the *2011 Catalog*, dairy farming and production of dairy products should both belong to the permitted category.

Policies Relating to Modern Husbandry and Dairy Industry

Modern husbandry is an important component of modern agriculture and the dairy industry is an important symbol of the modernization of agriculture. Since 2006, State Council of the PRC (中華人民共和國國務院) (the "State Council") , the Ministry of Agriculture of the PRC (中華人民共和國農業部) and the NDRC have promulgated a series of policies aiming at promoting the development of modern husbandry and the healthy and sustainable development of the dairy industry. These policies include the *Opinions of the State Council on Promoting the Sustainable and Healthy Development of Husbandry* (國務院關於促進畜牧業持續健康發展的意見), which was promulgated by the State Council in January

2007, the *Opinions of the State Council on Promoting the Sustainable and Healthy Development of the Dairy Industry*, which was promulgated by the State Council in September 2007, the *Circular of the General Office of the State Council Regarding the Transmittal of the Outlines of the Restructuring and Revitalization Plan for the Dairy Industry issued by NDRC and Other Ministries* (國務院辦公廳關於轉發發展改革委等部門奶業整頓和振興規劃綱要的通知), which was issued by the General Office of the State Council in November 2008, the *Development Plan of Major Dairy Cow Farming Regions (2008-2015)* (全國奶牛優勢區域佈局規劃 (2008–2015)), which was promulgated by Ministry of Agriculture in January 2009 and the *Opinions of the Ministry of Agriculture Concerning the Acceleration of the Work of Promoting Standardized Large-Scale Raising and Breeding of Livestock and Poultry* (農業部關於加快推進畜禽標準化規模養殖的意見), which was issued by the Ministry of Agriculture in March 2010. These governmental documents call for the consolidation, improving industrialization and specialization level of the husbandry industry, acceleration of the breeding and promotion of fine breeds of livestock and poultry, increasing the milk yield of dairy cows and transformation of breeding and raising pattern of livestock and poultry; moreover, these government documents also set forth various governmental preferential policies and incentives provided to the enterprises in the husbandry and farming industry.

The specific policies and incentives stipulated in the above governmental documents include increasing the fiscal subsidy and support for the raising of dairy cows, expanding the applicable scope of fiscal subsidy for agriculture machinery and equipment to include animal husbandry equipment and milking equipment, establishing a governmental insurance system for dairy cows, supporting the construction of standardized cow raising and breeding farms and strengthening the credit support to cow raising farmers and enterprises, such as providing subsidized loans.

New or Revised Laws and Regulations Issued after the Melamine Incident in 2008 Aimed at Strengthening Regulation on Food Safety for the Dairy Industry

In 2008, China experienced a nationwide melamine incident where infant formula milk powder, liquid milk, yogurt and other dairy products sold on the market were found to be contaminated by melamine. The melamine incident led to a loss of trust by the public in most major brands of dairy products sold on the market as to their safety. The PRC Government quickly reacted to the incident by introducing a series of new laws, regulations and policies aimed at strengthening regulation on food safety of dairy products and restoring the public's confidence in the safety and quality of dairy products.

The Outlines of the Restructuring and Revitalization Plan for the Dairy Industry (奶業整頓和振興規劃綱要) (the "Outlines")

The captioned *Outlines* calls for, among other things, (i) comprehensive inspections and rectification of problems at each stage along the chain of the dairy industry, from dairy farming, procurement of raw milk, processing and production to sales and marketing; (ii) improving and complementing relevant laws and regulations, perfecting product quality standards for dairy products, promoting the technology standardization for the production of fresh milk products, strengthening regulation of milk collection stations, promoting the implementation of the Good Manufacturing Practice for dairy products manufacturers; (iii) encouraging large-scale breeding and farming, integration of production and sale of raw milk, optimizing the location of dairy products manufacturers, promoting the standardization and improving quality control of the dairy farming industry.

With respect to improving the level of dairy farming, the *Outlines* requires the implementation of various governmental preferential and support policies and continuously promoting large-scale and standardized farming.

According to the *Administrative Regulations of Raw Fresh Milk Production and Procurement* (生鮮乳生產收購管理辦法), which was promulgated by the Ministry of Agriculture on 7 November 2008 and became effective on the same date, dairy animal breeders, purchasers of raw fresh milk and transporters of raw fresh milk shall be responsible for the safety and quality of the raw fresh milk that is produced, purchased, transported or sold by them and are the first responsible parties for the safety and quality of the raw fresh milk handled by them. Raw fresh milk produced, purchased, stored, transported or sold shall comply with the national quality and safety standards for dairy products. No substance is permitted to be added in raw fresh milk during the processes of production, procurement, storage, transportation and marketing.

The Food Safety Law of the PRC and its Implementation Regulations

According to the *Food Safety Law of the PRC* (中華人民共和國食品安全法), which was adopted by the Standing Committee of the National People's Congress, PRC (the "NPC") on 28 February 2009 and became effective on 1 June 2009, and its implementation regulations (食品安全法實施條例), which were promulgated by the State Council on 20 July 2009 and became effective on the same date, measures and requirements have been adopted in the following aspects to improve food safety and prevent large-scale food safety incidents:

(i) Strengthen the role of local government in the supervision and coordination of food safety regulation work. The People's governments at the county level or above shall be responsible to lead, organize and coordinate local food safety supervision and regulation operations on a centralized basis; establish an "all-inclusive" working mechanism for food-safety supervision and regulation, and continuously improve such mechanism; guide and direct the handling of food-safety accidents; implement the "accountability system" for food-safety administration and supervision, and appraise the performance of food-safety supervisory/regulatory departments.

(ii) Strengthen food safety risk monitoring, assessment; early intervention and quick control over food safety incidents.

(iii) Revise the standards for the use of food additives and strengthen regulation of use of food additives.

No food additive may be used in food unless it is deemed technically necessary and has been proven safe and reliable after undergoing risk assessments. The competent health department of the State Council, on the basis of the technical requirements and the results of the food safety risk assessments, is responsible for revising the permitted varieties, scope of use and dosage standards of food additives in a timely manner. A food producer may only use food additives in accordance with the food safety standards, and may not, during the process of food production, use any chemical substances other than approved food additives or any other substances which may potentially cause harm to human health.

When purchasing raw materials for producing food, food additives and food-related products, a producer shall inspect the license and relevant product compliance certification document of the supplier. If a supplier is unable to provide a compliance certification document, the producers are required to carry out an inspection of the raw materials in accordance with the relevant food safety standards. No raw material for food, food additive or food-related products may be purchased or used unless it complies with the relevant food safety standards. A food production enterprise must establish an inspection record system for the purchase of raw materials for producing food, food additives and food-related products which records information such as their names, specifications and quantities, the names and contact information of the suppliers and the date of purchase. Such inspection record must be true and must be retained for at least two years.

(iv) establish a food recall system. The State shall establish a recall system for food products. Where food producers find food products they produce fail to meet the food safety standards, they should immediately suspend the production of such food products, recall affected food products that have already been released into the market, notify the relevant food producers, business operators and consumers, and record the recall and notification details properly.

(v) abolish food safety inspection exemption system.

(vi) clarify the fundamental principles in formulating food safety standards. Food safety standards shall be formulated for the purpose of safeguarding public health. Food safety standards are compulsory standards.

Laws and Regulations Relating to the Large-Scale Animal Raising and Breeding Industry

Recordal requirement with administrative department for animal husbandry and veterinary medicine

The *Husbandry Law of the PRC* (中華人民共和國畜牧法) (the "Husbandry Law"), which was promulgated by the Standing Committee of the NPC on 29 December 2005 and became effective on 1 July 2006, stipulates the following conditions a livestock or poultry breeding farm has to meet:

- to have production premises and supporting facilities commensurate with its scale of breeding; to have animal husbandry and veterinary technicians in its service;

- to possess the conditions for epidemic prevention, as provided for by laws and administrative regulations and prescribed by the administrative department for animal husbandry and veterinary medicine under the State Council;

- to have such facilities as methane-generating pits for comprehensive use of, or other facilities for innocuous treatment of, the feces of livestock and poultry, waste water and other solid wastes; and

- to meet other conditions provided for by laws and administrative regulations.

The owner of a breeding farm shall submit the name of the farm, address, strains of livestock and poultry as well as scale of breeding for recording with the administrative department for animal husbandry and veterinary medicine under the people's government at the county level where the farm is located, and obtain labels and codes for the livestock and poultry. The *Husbandry Law* further provides that a livestock or poultry breeding farm shall keep files on breeding.

License for production and operation of breeding livestock and poultry

According to the *Husbandry Law* (畜牧法), which was promulgated on 29 December 2005, and became effective on 1 July 2006, and *Regulations on Administration of Breeding Livestock and Poultry* (中華人民共和國種畜禽管理條例), which was promulgated on 15 April 1994 and became effective on 1 July 1994, the entities and/or individuals engaging in the production and operations of breeding livestock and poultry or in the commercial production of new born livestock and poultry shall obtain license for production and operation of breeding livestock and poultry. Applicants applying for the license for production and operation of breeding livestock and poultry shall meet various conditions set forth in the *Husbandry Law* and *Regulations on Administration of Breeding Livestock and Poultry*. The license is issued by local animal husbandry and veterinary medicine authority at or above the county level and is valid for three years.

Certificate for meeting animal epidemic prevention conditions

The *Law on Animal Epidemic Prevention of the PRC* (中華人民共和國動物防疫法), which was amended and adopted by the Standing Committee of the NPC on 30 August 2007 and became effective on 1 January 2008, provides that animal farming operators shall meet the following conditions for prevention of animal epidemics:

- to be located at certain distance from public places, such as residential areas, sources of drinking water, schools and hospitals as prescribed by the administrative department for veterinary medicine under the State Council;
- The enclosure and isolation of the production area and the engineering design and technological process shall meet the requirements for animal epidemic prevention;
- to have necessary facilities and equipment for innocuous treatment and for cleaning and decontamination of waste water, waste materials, animals that die of diseases, and infected animal products;
- to have technicians for animal epidemic prevention;
- to have a sound system for animal epidemic prevention; and
- other conditions for animal epidemic prevention as laid down by the administrative department for veterinary medicine under the State Council.

An operator of animal breeding farm is required to apply to the administrative departments for veterinary medicine under the people's government at or above the country level for a certificate for meeting animal epidemic prevention conditions.

Animal epidemic prevention constitutions shall monitor the arising and spreading of animal epidemic; any entities and individuals engaged in animal raising, slaughtering, isolation, transportation or operation shall report to the local administrative departments for veterinary medicine, animal health supervision institutions or animal epidemic prevention and control institutions immediately once they find the animals have got epidemics or suspect epidemics, and shall take measures to prevent the spread of such epidemics. According to the *National Management Standard of Animal Epidemic Monitoring and Reporting System (on trial)* (國家動物疫情測報體系管理規範(試行)) issued by the Ministry of Agriculture of the PRC on 10 June 2002, outbreak of certain classified diseases in large-scale of livestock rising farms shall be under regular monitoring and all the animal epidemic monitoring information is required to report to the Livestock Husbandry and Veterinary Bureau of Ministry of Agriculture (農業部畜牧獸醫局) within the prescribed time limit.

Compensation required to be paid for eradication of livestock for animal epidemic prevention purposes

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

The Agricultural Products Safety Law of the PRC

The *Agricultural Products Safety Law of the PRC* (中華人民共和國農產品品質安全法), which was promulgated by the State Council on 29 April 2006 and became effective on 1 November 2006, governs the supervision and administration of the quality and safety of primary agricultural products, namely plants, animals, micro-organisms and other products obtained in the course of agricultural activities.

The *Agricultural Products Safety Law* regulates the agricultural products in the following aspects to ensure that they meet the requirements necessary to protect people's health and safety, including: (a) the quality and safety standards of agricultural products; (b) the production places of agricultural products; (c) the production of agricultural products; and (d) the packaging and labeling of agricultural products.

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

Quality Safety of Dairy Products

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

Import restrictions to prevent BSE

The Ministry of Agriculture and the AQSIQ promulgated an announcement regarding Bovine Spongiform Encephalopathy (the "BSE," usually called Mad Cow Disease) in 2001. According to the announcement, it is forbidden to import any dairy cows directly or indirectly from countries which had found BSE cases within its territories. The announcement also provides a list to show the countries which had found BSE till then, and any country which has found BSE from then on shall be listed into the above list automatically. All of our farms strictly comply with the import policy of the PRC and neither of them has imported any cow or heifer from such countries so far. We also conduct safety inspections over the dairy cows in our farms regularly. We believe that, due to the strict import policy of the PRC and our regular safety inspections, BSE would be under effective control and be prevented from our dairy cows, and any suspected case (if any) could be found in time.

Land used for agricultural facilities

According to the *Circular of Ministry of Land and Resources and Ministry of Agriculture on Relevant Issues Concerning the Management of Land Used for Agricultural Facilities* (國土資源部、農業部關於完善設施農用地管理有關問題的通知), which was promulgated and with effect from 30 September 2010, production facilities and ancillary facilities land directly used for agricultural production or service is different from non-agricultural construction land, and according to the *Category of the status of the Utilization of Land* (土地利用現狀分類) (GB/T 21010-2007), production facilities and ancillary facilities land shall be managed as land for agricultural use, and the land use and agricultural infrastructure construction shall be applied by the operator of animal breeding farm, reported by the People's governments of townships (towns), and approved by the People's governments at the county level.

Taxation

Income tax

According to the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) (the "New Tax Law"), which was promulgated on 16 March 2007, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25% effective from 1 January 2008. The *Implementation Rules To the New Tax Law* (中華人民共和國企業所得稅法實施條例) (the "Implementation Rules") was promulgated on 6 December 2007 and with effect from 1 January 2008. The *New Tax Law* provides certain relief during the transaction period that apply to enterprises that were established prior to 16 March 2007 (i) if foreign-invested enterprises enjoy reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years starting from 2008; and (ii) if foreign-invested enterprises enjoy tax holidays for a fixed period under laws and regulations, such foreign-invested enterprises can continue the holiday until its expiry. However, if an enterprise has not started to enjoy the tax holiday due to a lack of profit, 2008 will be regarded as the first profit-making year and the enterprise starts to enjoy the tax holiday.

VAT

Pursuant to the *Provisional Regulations on Value-added Tax of the PRC* (中華人民共和國增值稅暫行條例) (the "Value-added Tax Provisions") last amended on 5 November 2008 and with effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay VAT. The amount of VAT payable is calculated as "output VAT" minus "input VAT." The rate of VAT is 17% for those engaging in the sale or importation of goods except as otherwise provided by paragraph (2) and paragraph (3) of Article 2 in the *Value-added Tax Provisions* and is also 17% for those providing processing services, repairs and replacement services.

Preferential tax treatment

According to the *New Tax Law* and *Implementation Rules*, the incomes generated from the engagement in farming cattle and poultry and primary process of agricultural product shall be exempted from enterprise income tax. And according to the *Value-added Tax Provisions* and its implementation rules, self-produced primary agricultural products sold by agricultural producers shall be exempted from VAT.

Foreign Exchange Registration, Foreign Currency Exchange and Dividend Distribution

Foreign exchange registration

Pursuant to *Circular of the State Administration of Foreign Exchange on Foreign Exchange Issues Related to Equity Finance and Round-Trip Investments by Domestic Residents through Offshore Special Purpose Vehicles* (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), which was promulgated on 21 October 2005 and with effect from 1 November 2005, where domestic legal or natural person residents intend to directly establish or indirectly control an offshore enterprise (hereafter referred to as "SPV") for the purpose of carrying out offshore equity financing (including convertible bond financing) with the assets or equity interests they hold in domestic enterprises, they are required to apply to the competent administration of foreign exchange for foreign

exchange registrations of offshore investment prior to establishing or gaining control of an offshore SPV. Furthermore, when domestic legal or natural person residents inject assets or equity they owns in a domestic enterprise into an SPV, or carrying out offshore equity financing after injecting assets or equity into an SPV, they are required to make amendment registration of the offshore investment-related foreign exchange to reflect the net assets or equity they hold in the SPV, and the changes thereto. Besides, if an SPV becomes the subject of material changes in capital, such as capital increase or reduction, equity transfer or swap, merger or division, long-term equity or debt investment, provision of security to a third party, etc. and such changes do not involve reverse investment, the domestic legal or natural person residents shall apply for amendment registration of the offshore investment-related foreign exchange, or the filing with the competent administration of foreign exchange within 30 days of the date of the occurrence of such material changes.

25 ultimate beneficial owners of the Company (namely Mr. HL Zhao, Mr. HY Zhao, Meng Fanqing, Zhang Chaohui, Yang Hongwei, Sun Bo, Tang Xiaoyang, Liu Shuguang, Xia Xinyu, Zhang Dijun, Song Miao, Mo Liwei, Sun Xiaoyan, Xiong Han, Hu Yiyao, Zhao Siyuan, Xie Dehe, Sun Yulong, Meng Xiaobin, Ren Jie, Zhang Ye, Xu Qing, Yu Taifeng, Zhou Zhigang, and Ren Hong) fall under the definition of "domestic residents" under the SAFE Circular. All of them completed their registration with SAFE (Heilongjiang branch) as required under the SAFE Circular in respect of the acquisition of Ruixinda by Royal Dairy Farm on 25 December, 2012, and in respect of other equity transfers under the Reorganization and Pre-IPO Investments on 10 and 23 May, 2013. Our PRC Legal Advisers have advised that the above 25 ultimate beneficial shareholders have registered their foreign exchange registrations of overseas investments with the local SAFE branch as required under the SAFE Circular.

Foreign currency exchange

The principal regulation governing foreign currency exchange in China is the *Foreign Exchange Administration Rules of the PRC* (中華人民共和國外匯管理條例) (the "Foreign Exchange Administration Rules"). The *Foreign Exchange Administration Rules* were promulgated by the State Council on 29 January 1996 and with effect from 1 April 1996 and were amended on 14 January 1997 and 1 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the *Foreign Exchange Administration Rules*, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (such as board resolutions and tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

Dividend distribution

Before the promulgation of the *New Tax Law*, the principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises include the *Wholly Foreign-owned Enterprise Law*, the *FIE Tax Law* and their respective implementation regulations.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors are exempt from withholding tax. However, this exemption provision has been revoked by the *New Tax Law* which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The *Implementation Rules* reduced the rate from 20% to 10%, effective from 1 January 2008.

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

Furthermore, pursuant to the *Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements* (國家税務總局關於執行税收協定股息條款有關問題的通知), which was promulgated and with effect from 2 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reach a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

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

Environmental Protection

According to the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (the "Environmental Protection Law"), which was promulgated and with effect from 26 December 1989:

- any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces;

- any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and

- any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee therefore.

The Local branches of the Ministry of Environmental Protection of the PRC Government shall impose different penalties on persons or enterprises in violation of the *Environmental Protection Law* depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to suspend production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

Prevention and control of various pollutions

Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), as revised on 28 February 2008 and with effect from 1 June 2008, *Law of the PRC on Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法), as revised on 29 April 2000, and with effect from 1 September 2000, *Law of the PRC on Prevention and Control of Environmental Noise Pollution* (中華人民共和國環境噪聲污染防治法), as revised on 29 October 1996 and with effect from 1 March 1997, as well as *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (中華人民共和國固體廢物污染環境防治法), which was promulgated on 29 December 2004 and with effect from 1 April 2005, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and environmental pollution by solid waste, respectively.

Construction project environmental protection

According to *Regulations on the Administration of Construction Project Environmental Protection* (建設項目環境保護管理條例), which were promulgated and with effect from 29 November 1998, the PRC Government established a system that evaluates the environmental impact of a construction project. A construction unit should, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. For a construction project that necessitates no feasibility study pursuant to relevant state provisions, the construction unit should, prior to the commencement of construction of the construction project, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. Besides, the construction unit

should, upon the completion of the construction project, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project. For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

Standards of collecting fees for discharge of pollutants

According to *Circular on the Standards of Collecting Fees for Discharge of Pollutants* (排污費徵收標準管理辦法), which was promulgated on 28 February 2003, and with effect from 1 July 2003, environmental protection authorities under the local people's government at or above the county level shall collect the fee for pollutant discharge according to the following matters: enterprises, institutions and individually-owned industrial and/or commercial businesses that directly discharge pollutants into a water body shall pay the fee for pollutant discharge according to the kinds and quantity of the water pollutants discharged and the standards for collecting the fee for pollutant discharge. Enterprises that pay fees to facilities for centralized treatment of urban sewage according to the kinds and quantity of the water pollutants discharged, shall not pay the fee for discharge of pollutants. Enterprises, institutions and individually-owned industrial and/or commercial businesses that discharge atmospheric pollutants shall pay the fee for pollutant discharge on the basis of the categories and quantities of the atmospheric pollutants discharged. If construction of facilities and sites for storing and treating industrial solid wastes haven't been built or haven't complied with state standards on environmental protection, Enterprises, institutions and individually-owned industrial and/or commercial businesses shall pay fees for solid wastes discharge according to the kinds and quantity of the solid wastes pollutants discharged. Enterprises, institutions and individually-owned industrial and/or commercial businesses that produce environmental noise pollution that impairs the living environment of the neighborhood shall pay fees for excessive emission of such pollution.

Labor Contracts

Pursuant to the *Labor Contract Law of the PRC* (中華人民共和國勞動合同法), which was adopted by the Standing Committee of the National People's Congress on 29 June 2007 and with effect from 1 January 2008, a written labor contract should be concluded to establish a labor relationship. In the event that no written labor contract is concluded at the time when a labor relationship is established, such written contract should be concluded within one month from the date when the employer employs the employee. Where the employer fail to conclude a written labor contract with the employee for more than one month but less than a year from the date it starts employing him, it shall pay the employee two times his salary for each month. In addition, if the employer fails to conclude a written labor contract with the employee within one year as of the date when it employs the employee, it shall be deemed to have concluded an open-ended contract with the employee.

Social Insurance and Housing Funds

According to the *Social Insurance Law of the PRC* (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and with effect from 1 July 2011, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance.

Basic pension insurance, basic medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees.

Pursuant to the *Social Insurance Law of the PRC*, if an employer fails to pay work-related injury insurance contributions in accordance with law, it shall pay work-related injury insurance benefits in the case of a work-related injury accident. If the employer fails to make such payment, the benefits shall first be reimbursed by the work-related injury insurance fund. Work-related injury insurance benefits reimbursed by the work-related injury insurance fund shall be repaid by the employer. If the employer fails to make repayment, social insurance agencies may recover such benefits from the employer in accordance with the *Social Insurance Law of the PRC*.

Furthermore, as to the unemployment insurance, employers shall provide unemployed individuals with certification of the expiry or termination of their employment relations in a timely manner, and within 15 days of such expiry or termination, inform social insurance agencies of the list of the unemployed individuals. Unemployed individuals shall undertake the procedures for unemployment registration with the designated public employment service institutions in a timely manner by producing their former employer' certification of the expiry or termination of employment relations. The period for receiving unemployment insurance benefits shall be calculated from the date of unemployment registration.

An employer shall make registration with the local social insurance agency in accordance with the provisions of the *Social Insurance Law of the PRC*. Moreover, an employer shall declare and make social insurance contributions in full and on time. Except for mandatory exceptions such as force majeure, social insurance may not be paid late, reduced or be exempted. If an employer fails to report the social insurance premium payable in accordance with the relevant regulations, the social insurance agency shall provisionally set the amount payable at 110% of the premium paid in the previous month. Once the employer has retroactively undertaken the reporting procedures, the social insurance agency shall settle the amount in accordance with the relevant regulations. Where an employer fails to make social insurance contributions in full and on time, the social insurance agency may order rectification within a specified time limit. If the employer fails to rectify within the specified time limit, the social insurance agency may enquire with the relevant bank(s) and other financial institution(s) in which the employer has an account; and may apply with the relevant administrative department above the county level for an administrative order to allocate and transfer the unpaid social insurance contributions and notify the relevant bank or other financial institution in writing to allocate and transfer the unpaid social insurance contributions. Where the balance in the employer's bank account is less than the overdue social insurance contributions, the social insurance agency may request the employer to provide a guarantee and sign a social insurance payment agreement for the delayed payment. If the employer does not make the social insurance contributions within the specified time limit and fails to provide a guarantee with respect to the same, the social insurance agency may request the people's court to seize the property of the employer (equivalent in value to the unpaid overdue social insurance contributions), and collect the overdue social insurance contributions from the proceeds obtained from the auction of such property.

Regulations on *Management of Housing Funds* (住房公積金管理條例), promulgated and with effect from 24 March 2002, are applicable to enterprises with foreign investment. Enterprises are required to pay housing funds for their employees. To the details, enterprises shall register with the relevant housing funds management center within 30 days from the date of establishment, and open housing funds accounts with designated bank on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing funds management center. And when employing new employees, enterprises shall register with the housing funds management center within 30 days from the date of the employment of such employees, and open housing funds accounts for such employees at the designated bank with the verified documents of the housing funds management center. Furthermore, the housing funds to be paid and deposited by an employee shall be withheld from his/her salary by the enterprise, and the enterprise itself shall pay and deposit housing funds on schedule and in full, and may not be overdue in the payment and deposit or underpay the housing funds. The payment and deposit rate for housing funds (either for the employee or for the enterprise) shall not be less than five percent of the average monthly salary of the employee concerned in the previous year.

Production Safety

Pursuant to the *Production Safety Law of the PRC* (中華人民共和國安全生產法), which was promulgated on 29 June 2002 and amended on 27 August 2009, Special equipment that concerns the safety of life or is rather dangerous, the containers of hazardous substances, or transportation tools that any production and business operation entity uses must, according to the relevant provisions of the state, be manufactured by specialized production entities, and may only be put into use after it passes the detections and tests of those detecting and testing institutions that have been equipped with the professional qualifications for which a certificate for safe use or a mark of safety has been obtained. In addition, the production, business operation, transportation, storage, and use of any dangerous substances or the disposal of or abandonment of dangerous substances shall be subject to the examination and approval as well as the supervision and administration of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

Pursuant to the *Regulations on Safety Supervision of Special Equipment* (特種設備安全監察條例), promulgated on 11 March 2003 and with effect from 1 June 2003 (amended on 24 January 2009 and with effect from 1 May 2009), "special equipment" used in the regulations refers to boilers, pressure vehicles (including gas cylinders, same below), pressure pipelines, elevators, lifting alliances, passenger ropeways, and large amusement devices, which relate to safety of human lives or having high risks. As required by these regulations, prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, units using special equipment shall register with competent departments for safety supervision and administration of special equipment. The registration mark shall be placed or attached to a prominent position of the special equipment. Furthermore, operators and the relevant managerial staff of boilers, pressure vessels, elevators, lifting appliances, passenger ropeways and large amusement devices (referred to as the "operators of special equipment") shall not engage in corresponding operation or management until they have passed the examination organized by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for operators of special equipment with a nationally unified formula.

LAWS AND REGULATIONS RELATING TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

The M&A Provisions were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, the SAIC, CSRC and SAFE on 8 August 2006 and became effective on 8 September 2006 as amended on 22 June 2009. Under the M&A Provisions, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor:

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

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

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

Security Review System for Mergers and Acquisitions of Domestic Enterprises

Pursuant to *Circular of the State Council on the establishment the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was promulgated on 3 February 2011 and with effect from 2 March 2011 and *Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (商務部關於建立外國投資者併購境內企業安全審查制度的決定), which were promulgated on 25 August 2011 and with effect from 1 September 2011, foreign investors who initiate mergers and acquisitions of domestic military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, and other entities relating to the national defense security; mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment, etc., which relate to the national security, and may obtain the actual controlling power of those acquired enterprises, shall apply to the Ministry of Commerce for the security review of the concerned mergers and acquisitions. Whether a foreign investor' mergers and acquisitions of a domestic enterprise falls under the scope of mergers and acquisitions security review or not shall be determined in terms of the substance and actual influence of the mergers and acquisitions transaction. No foreign investors may substantially avoid the mergers and acquisitions security review by means including, but not limited to, holding on behalf of others, trust, multi-level reinvestment, leasing, loans, variable interest entities, or overseas transactions.

GENERAL

The history of our Group can be traced back to September 2008 when YST Heilongjiang was established, which started our primary business of dairy farming. With the establishment of YST Heilongjiang, we commenced the construction of dairy farms and the setting up of other production facilities. In 2010, we started to supply super premium raw milk in the PRC. We commenced recording revenue in October 2010.

Our Group

The following table contains certain information of the Company and its subsidiaries as of the Latest Practicable Date:

Entity	Date of incorporation	Place of incorporation	Principal activities
YST Heilongjiang	5 Sept 2008	PRC	Operation of Kedong YST Farm/Investment holding
YST Zhenlai	9 July 2009	PRC	Operation of Zhenlai Farm Phase I
YST Heping	3 July 2007[(1)]	PRC	Operation of Kedong Oumei Farm
YST Yongjin	5 July 2013	PRC	Construction and operation of Kedong Yongjin Farm, which is under operation
Ruixinda Baiquan	25 June 2013	PRC	Construction and operation of Baiquan Farm, which is under operation
Ruixinda Gannan	9 July 2007[(1)]	PRC	Operation of Gannan Oumei Farm
YST Honghai	5 May 2009	PRC	In preparation for operations
YST Sifang	7 May 2009	PRC	In preparation for operations
YST Qiqihar	10 Sept 2012	PRC	In preparation for operations
Ruixincheng	3 May 2013	PRC	In preparation for operations
Ruixinda	9 Dec 2010	PRC	Investment holding
The Company	1 May 2012	Bermuda	Investment holding
BVI Subsidiary	3 May 2012	BVI	Investment holding
HK Subsidiary	17 May 2012	Hong Kong	Investment holding

See "— Corporate Structure" for the chart and as of the Latest Practicable Date setting forth the shareholding and corporate structure of our Group immediately after the Reorganization on page 138 of this Prospectus.

Note:

(1) Completion of acquisitions of YST Heping and Ruixinda Gannan by Ruixinda took place in September 2011. Prior to such acquisition, YST Heping and Ruixinda Gannan were not part of our Group.

MILESTONES

Set forth below are the key milestones of our Group since our establishment in September 2008:

Time	Key Milestones
September 2008	YST Heilongjiang, our first operating entity, was established for the purpose of constructing and operating our first farm, namely Kedong YST Farm.
July 2009	YST Zhenlai was established for the purpose of constructing and operating our Zhenlai Farm Phase I.
October 2010	Our first farm, Kedong YST Farm, started commercial production and we commenced recording revenue.
July 2011	Our Zhenlai Farm Phase I started commercial production.
September 2011	Ruixinda acquired Gannan Oumei Farm and Kedong Oumei Farm from Feihe Dairy Group.
January 2012	Ruixinda became the holding company of all our subsidiaries established in the PRC (except Ruixincheng).
May 2012	The Company was incorporated for the purpose of implementing the Reorganization.
October 2012	The HK Subsidiary became the sole shareholder of Ruixinda.
April 2013	Ares, OCBC and KNI (all being the Pre-IPO Investors) became our Shareholders.

OUR RELATIONSHIP WITH FEIHE DAIRY GROUP

Background of Feihe Dairy Group

Feihe Dairy Group, one of the top five customers of our Group during the Track Record Period, is based in Heilongjiang and is principally engaged in the production and distribution of milk powders and other dairy products in China. Feihe Dairy Group was not on the list of the dairy products manufacturers whose infant formula products were detected to contain melamine based on the sample inspections conducted by the PRC General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) in the wake of the melamine incident in 2008. Feihe Dairy HLJ confirmed that it and its associated dairy companies were not involved in the melamine incident in 2008 and did not encounter any issues in relation to the quality of its dairy products. Feihe Dairy International is a member of Feihe Dairy Group, and its securities were listed on the New York Stock Exchange up to June 2013, when the privatization offer of the securities of Feihe Dairy International by a consortium of investors led by its controlling shareholder was completed. Feihe Dairy Group had constructed and operated the two modern demonstrating large-scale dairy farms in Heilongjiang since July 2007, namely

Kedong Oumei Farm and Gannan Oumei Farm, which were subsequently acquired by us in September 2011. In addition, Feihe Dairy Group, as part of its initiatives to promote dairy farming business in Heilongjiang and to secure a stable and quality raw milk supply to support its core dairy product business and promoting Heilongjiang as a leading quality dairy farming business base in China, has also supported certain market participants (including our Group) along the dairy farming business supply chain, including animal feed producers, dairy farm operators and dairy products producers.

Given that the long-established relationship with Feihe Dairy Group, being one of our customers, and no material change in the core business and management of Feihe Dairy International after its privatization, our Directors do not expect such privatization would affect the relationship between Feihe Dairy International and our Group.

Feihe Dairy Group's assistance in the establishment of YST Heilongjiang

Our founder, Mr. HL Zhao, who was an entrepreneur in various industries, has past experience in raising dairy cows and cattle management in Heilongjiang Province and has been paying attention to the development of the dairy farming industry in China from time to time. In 2007, the General Office of the State Council of the PRC promulgated the Opinions of the State Council on Promoting the Sustainable and Healthy Development of Dairy Industry which indicated the government's emphasis on achieving a sustainable development of China's dairy industry. Subsequently in 2008, following the melamine incident, the PRC Government introduced more stringent control measures and food safety laws to ensure the safety of domestic dairy products, while local governments such as Heilongjiang provincial government also promulgated and implemented favorable policies to encourage the growth of the dairy farming industry in the region and the operation of large-scale modernized dairy farms. Leveraging the opportunities in the dairy farming industry and recognizing Feihe Dairy Group's reputation, experience and business network in the dairy business in Heilongjiang, Mr. HL Zhao, being a long time acquaintance and business partner of the controlling shareholder of Feihe Dairy Group, sought advice and assistance from Feihe Dairy Group with respect to matters such as choice of farm location, construction and operation of dairy farms, liaison with local government entities as well as on government incentive policy. Given that Mr. HL Zhao's intention to enter into dairy farming industry was in line with Feihe Dairy Group's own business objective to ensure a stable source of supply of raw milk in Heilongjiang, Feihe Dairy Group agreed to assist Mr. HL Zhao on his requests.

To facilitate the relevant regulatory process for establishing our businesses by leveraging Feihe Dairy Group's experience in and familiarity with the application and registration procedures for obtaining the local government's approvals, when we first established YST Heilongjiang, among all 12 registered equity-holders, 11 of them were then existing or previous employees of Feihe Dairy Group (while the 12th registered equity-holder was Mr. HL Zhao). One of such registered equity-holders was Mr. Wang Shaogang, who joined our Group since then as the general manager of our Group and was then in charge of the supervision of the daily business management of our Group. The other trustees assisted the establishment of our business by liaising and coordinating with local authorities in Heilongjiang and Jilin Province relating to environmental, land acquisition and tax matters. Except for Mr. Wang Shaogang, none of the trustees held specific role and position of managing YST Heilongjiang or our Group.

All the 11 registered equity-holders held equity interests in YST Heilongjiang on trust for the benefit of Mr. HL Zhao. Our PRC Legal Advisers have reviewed the trust agreements signed by the said 11 trustees all dated 1 August 2008, and confirmed that the trust relationship as evidenced and constituted by each agreement was legal, valid, enforceable and binding on the trustee. Such 11 trustees had not provided any capital contribution upon the establishment of our Group.

As it was our early stage in the dairy farming industry in the local market, we have also recruited certain employees of Feihe Dairy Group during our start-up phase. The recruitment of such experienced former staff from Feihe Dairy Group provided us with a good foundation during the earlier years of our business operations when we did not have an established business track record and a strong financial position. Feihe Dairy Group gave advice on the choice of farm location and construction of the then new farms of our Group. Our Group does not expect to receive any business advice from Feihe Dairy Group after Listing. In addition, during the Track Record Period, Feihe Dairy Group also assisted our Group in certain overseas procurements (as we did not possess the qualification for banks to issue the required letters of credit to carry out oversea procurements at the early stage of the establishment of our Group) and acted as guarantors in certain of our Group's bank borrowings. As the commercial production of our Group had not begun until October 2010, we required guarantees provided by Feihe Dairy Group for bank borrowings at such time. Given the relatively well-established business and the reputation of Feihe Dairy Group, our Group was thus able to obtain additional funds for our daily operation and expenses. In particular, pursuant to two import agency agreements entered into between Feihe Dairy HLJ and a local heifer importer (an Independent Third Party) in November 2009 and April 2010, Feihe Dairy HLJ assisted our Group in the procurement of a total of 8,300 imported Holstein heifers from Uruguay. On 31 January 2011, Feihe Dairy HLJ paid RMB68.6 million on our behalf to the local heifer importer as a portion of the total purchase price of RMB132.8 million. We fully settled such amount with Feihe Dairy HLJ in June 2013. Such procurement was conducted at the same imported cost paid by Feihe Dairy HLJ to the Independent Third Parties, and therefore, was based on normal commercial terms. From March 2011 up to the Latest Practicable Date, we did not procure any imported heifers because we were able to sustain the operations at all of our farms using our self-bred heifers during this period. As of 31 December 2010, 2011 and 2012, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million and RMB365.0 million, respectively. With our improved financial position and reputation in the industry in recent years, we negotiated with our lending banks and all the guarantees from Feihe Dairy Group had been released as of the Latest Practicable Date. Given the overseas procurement assisted by Feihe Dairy Group was on a one-off basis and our Group's ability to obtain release of all bank guarantees provided by Feihe Dairy Group, our Directors are of the view that our Group is capable of operating and obtaining financing independently from Feihe Dairy Group now and after Listing.

In June 2012, due to its cash requirements, Feihe Dairy Group sought to obtain loans from Mr. HL Zhao and given the relationship between Mr. HL Zhao and the controlling shareholder of Feihe Dairy Group, Mr. HL Zhao made two advances of non-interest bearing loan without any security to Feihe Dairy HLJ amounted to about US$7.08 million and RMB19.8 million, respectively, both with a term of 24 months. In December 2012, Feihe Dairy HLJ made another loan amounted to about RMB19.8 million to Ms. SX Li (being the spouse of Mr. HL Zhao) in order to set off the same amount of such loan made by Mr. HL Zhao to Feihe Dairy HLJ in June 2012. As the above financing arrangements were only between Mr. HL Zhao and his spouse on the one part and Feihe Dairy Group on the other part, our Group has not been involved in such financing arrangements and in any other matter in relation thereto. Save as disclosed in this paragraph above, each of our Controlling Shareholders did not have any other financing arrangements with Feihe Dairy Group as of the Latest Practicable Date.

Save as disclosed in this Prospectus, there were no other financing arrangements between our Group, our Directors, Controlling Shareholders or their respective associates on the one part and Feihe Dairy Group on the other part.

In February 2010, as the operations of our Group grew and we have become a reputable dairy farm operator in Heilongjiang Province, we did not consider it necessary to leverage Feihe Dairy Group's reputation in the local market. As such, we did not require the then employees or former employees of Feihe Dairy Group to hold the equity interests in YST Heilongjiang. The number of nominee equity-holders to hold equity interests in YST Heilongjiang on trust for Mr. HL Zhao was reduced to enhance the administrative convenience of our Group. For such reasons, all such employees of Feihe Dairy Group (except Mr. Wang Shaogang, an executive Director) terminated their entrusted shareholding arrangements with Mr. HL Zhao in March 2010 through the equity-transfer agreements described below and ceased to be registered equity holders of YST Heilongjiang.

For reasons as mentioned in the above paragraph, in February 2010, ten of the then said 12 registered equity-holders of YST Heilongjiang (i.e. not including Mr. HL Zhao and Mr. Wang Shaogang) entered into equity-transfer agreements, pursuant to which 77.33% of the total registered capital in YST Heilongjiang held by such holders was agreed to be transferred at nil consideration to four individuals (who were all unrelated to Feihe Dairy Group) as nominated by Mr. HL Zhao below:

Name of transferee	Relationship with our Group and/or the Controlling Shareholders	Percentage of registered capital in YST Heilongjiang
Shi Guanghua	Spouse of Mr. Wang Shaogang who is an executive Director	71.33%
Zhou Haifen	A member of our Group's middle management	2%
Du Baojun	A friend of Mr. HL Zhao and the spouse of Ms. Su Shiqin (who is an executive Director)	2%
Yang Chunyu	A friend of Mr. HL Zhao and the spouse of one of our Group's management	2%
	Total:	**77.33%**

The remaining 22.67% of the registered capital were held by Mr. Wang Shaogang (an executive Director) (16%) and Mr. HL Zhao (6.67%), respectively. Following such transfers, YST Heilongjiang had six registered equity-holders, all of whom (other than Mr. HL Zhao himself) held the equity-interests in YST Heilongjiang on trust for the benefit of Mr. HL Zhao. All the trust agreements mentioned above were dated 20 January 2010 (other than Mr. Wang Shaogang whose two trust agreements were dated August 2008 and 10 June 2010, respectively). Our PRC Legal Advisers have reviewed the trust agreements signed by the said five trustees, and confirmed that the trust relationship as evidenced and constituted by each such agreement was legal, valid, enforceable and binding on such trustees. The above trust arrangements were made because at that relevant time, Mr. HL Zhao frequently traveled away from Heilongjiang Province for his other businesses, and he anticipated that he might not

be available to sign documents concerning YST Heilongjiang on a timely basis. He then decided to nominate other personnel to be the registered equity-holders of YST Heilongjiang to expedite documents processing.

All approvals from the relevant authorities for the above transfers have been obtained and the registration of change in the registered equity-holders of YST Heilongjiang was effected on 5 March 2010.

Acquisition of Kedong Oumei Farm and Gannan Oumei Farm

In line with our strategy of expanding our operations and enhancing our raw milk production capacity, Ruixinda (a member of our Group) entered into the Oumei Transfer Agreement dated 1 August 2011 with Feihe Dairy HLJ (a member of Feihe Dairy Group) and Mr. Ma Jinyan (a then employee of Feihe Dairy Group), pursuant to which Ruixinda agreed to purchase the entire share capital of YST Heping and Ruixinda Gannan (which own Kedong Oumei Farm and Gannan Oumei Farm, respectively). The consideration for the purchase was RMB849.0 million. It was determined based on (i) the sum of registered capital of YST Heping and Ruixinda Gannan being RMB114.5 million in aggregate as of 30 June 2011, and (ii) the amounts payable from YST Heping and Ruixinda Gannan to Feihe Dairy HLJ being RMB734.5 million in aggregate. A portion of the purchase price mentioned in (i) above (i.e. RMB114.5 million) was payable in cash (out of which RMB110.7 million was payable to Feihe Dairy HLJ and RMB3.8 million was payable to Mr. Ma Jinyan) and had been settled in full as of January 2012. The remaining purchase price was agreed to be satisfied by our delivery to Feihe Dairy Group, in six quarterly installments from 29 September 2011, of raw milk valued at an aggregate value of RMB734.5 million (the "Second Payment").

During the Track Record Period, our Group's sale of raw milk to Feihe Dairy Group was based on normal commercial terms, and such selling prices were at similar levels compared to the selling prices of the raw milk that our Group sold to other customers. Pursuant to the Oumei Transfer Agreement, in the event that any quarterly raw milk payment provided to satisfy the Second Payment is insufficient to satisfy such quarterly quota amount, the shortfall will be immediately payable in cash by Ruixinda to Feihe Dairy HLJ. Since Feihe Dairy Group's demand was less than the amount of raw milk agreed to be supplied to Feihe Dairy Group under the Oumei Transfer Agreement, accordingly, during the Track Record Period, our Group on several occasions did not fulfill the quantities specified under such agreement. In such case, although we may be required to pay Feihe Dairy HLJ such shortfall in cash under the Oumei Transfer Agreement or to indemnify and hold harmless Feihe Dairy HLJ for damages and loss if Feihe Dairy HLJ enforced the contract, we obtained the waiver for such breach of the Oumei Transfer Agreement under a supplemental agreement which our Group entered into with Feihe Dairy HLJ in April 2013.

Subsequently, pursuant to a supplemental agreement entered into between Ruixinda and Feihe Dairy HLJ on 25 April 2013 (the "Supplemental Milk Supply Agreement"), Feihe Dairy HLJ unconditionally and irrevocably waived Ruixinda's past obligation from fulfilling its payment obligations and legal liabilities potentially arising out of any shortfall of raw milk delivery under such exclusive raw milk supply contract. Under such supplemental agreement, as of 31 March 2013, the outstanding consideration payable to Feihe Dairy HLJ under the Oumei Transfer Agreement amounted to RMB532.3 million (the "Outstanding Consideration"). According to the Company's PRC Legal Advisers, if our Group defaults the payment/delivery of raw milk under the Oumei Transfer Agreement

and the Supplemental Milk Supply Agreement, Feihe Dairy HLJ may have recourse to the arbitral tribunal, requiring our Group to fulfill the payment/delivery of raw milk obligations and indemnify and hold harmless Feihe Dairy HLJ for damage and loss resulting therefrom. Feihe Dairy HLJ would not be entitled to unwind the acquisition of Gannan Oumei Farm and Kedong Oumei Farm under the Oumei Transfer Agreement for reason of any historical default or any future default of our Group on the payment/delivery of raw milk to Feihe Dairy Group or other terms of the Oumei Transfer Agreement and the Supplemental Milk Supply Agreement.

As part of the overall strategic arrangement for such acquisition, on 1 August 2011, Ruixinda, YST Heping and Ruixinda Gannan also entered into an exclusive raw milk supply contract with Feihe Dairy HLJ, pursuant to which YST Heping and Ruixinda Gannan agreed to exclusively supply Feihe Dairy Group with raw milk produced at these two farms. As part of our normal customer relationship activities, Ruixinda and Feihe Dairy HLJ maintained frequent dialogs after the execution of the above exclusive milk supply agreement with a view to try to monitor and adjust the volume of raw milk supply to match the actual requirements of Feihe Dairy HLJ. In late 2012, Ruixinda was informed by Feihe Dairy HLJ that its demand of raw milk was decreasing due to slowdown in its milk product markets. Having discussed with Feihe Dairy HLJ, Ruixinda has therefore reduced its raw milk supply to Feihe Dairy Group. At the advice of its legal counsel, Ruixinda formalized the above arrangement by subsequently replacing this exclusivity requirement with a raw milk priority supply arrangement pursuant to the Supplemental Milk Supply Agreement. In addition, pursuant to the Supplemental Milk Supply Agreement, the Outstanding Consideration shall be satisfied by YST Heping and Ruixinda Gannan supplying raw milk valued RMB48.4 million in total for a quarterly basis for 33 months from 1 April 2013. Under the Supplemental Milk Supply Agreement, any shortfall would also be immediately payable in cash by Ruixinda to Feihe Dairy HLJ. For details of such supply contracts, please refer to "Business — Sales and Marketing — Contract Terms."

In conjunction with the Oumei Transfer Agreement, on 30 September 2011, YST Heping and Ruixinda Gannan entered into an asset mortgage agreement with Feihe Dairy HLJ, pursuant to which YST Heping and Ruixinda Gannan agree to grant Feihe Dairy HLJ a primary security interest over the grass shed, milking halls, barns and certain buildings in Gannan Oumei Farm and Kedong Oumei Farm to secure the repayment of the Second Payment (including the interest, liquidated damages and other fees arising therefrom). Pursuant to the Supplemental Milk Supply Agreement, Feihe Dairy HLJ has waived our obligation to register such mortgage. Further, such mortgage is expected to be released when all consideration related to the Oumei Transfer Agreement has been repaid. As disclosed in an announcement of Feihe Dairy International, the primary reasons for Feihe Dairy Group to enter into the Oumei Transfer Agreement were to (i) improve overall liquidity and reduce its debt level, (ii) eliminate dairy farm operating expenses, and (iii) ensure access to high quality milk.

As confirmed by PRC Legal Advisers, all approvals from the relevant authorities have been obtained and the registration of change in the registered equity-holders of both YST Heping and Ruixinda Gannan was effected on 28 September 2011 and 29 September 2011, respectively. The acquisitions of the Kedong Oumei Farm and Gannan Oumei Farm were completed on the said dates and since then the ownership of these two farms has been fully vested in our Group. According to the annual report of Feihe Dairy International for the year ended 31 December 2011, Feihe Dairy Group only operated its dairy products segment and ceased to operate its dairy farms segment as of 31 December 2011.

Pursuant to the Oumei Transfer Agreement, after completion of the acquisition, Feihe Dairy HLJ then enjoyed the right to (i) appoint a financial supervisor to inspect and monitor the financial statements and other financial documents of the Kedong Oumei Farm and Gannan Oumei Farm; and (ii) nominate a director to each of YST Heping and Ruixinda Gannan. By a supplemental agreement to the Oumei Transfer Agreement entered into between the relevant parties on 31 October 2011, the above two rights (among others) were terminated and ceased to have effect retrospectively from the date of Oumei Transfer Agreement. After the said completion and before the signing of the said supplemental agreement, Feihe Dairy Group had not appointed any financial supervisor or director to YST Heping and Ruixinda Gannan. Save as disclosed above in this paragraph, each of Feihe Dairy Group and its controlling shareholder has not signed any agreement with our Group, our Controlling Shareholders, Directors and employees in respect of the management and/or ownership of the Company and the Kedong Oumei Farm and Gannan Oumei Farm.

Feihe Dairy Group as one of our current top five customers and its assistance with our overseas procurement

In 2010, when we were in the initial stage of our commercial production, sales made to Feihe Dairy Group accounted for all of our revenue. As our Group has grown and diversified our customer base, our sales made to Feihe Dairy Group (as one of our top five customers) decreased to 35.5% and 13.3% of our revenue for 2011 and 2012, respectively. We expect Feihe Dairy Group to continue to be one of our top five customers in the near future. In addition, in order to benefit from Feihe Dairy Group's financial position to secure overseas letter of credit, we have worked with Feihe Dairy Group to supplement our overseas sourcing efforts.

According to the controlling shareholder of Feihe Dairy Group, he does not hold any beneficial interests in the Company or any of its subsidiaries; and neither Feihe Dairy Group nor such controlling Shareholder has any direct or indirect influence on the Board or management of our Group, which may affect the capability of our Group to carry on its business independently, for the entire Track Record Period.

As confirmed by the Directors, apart from the relationship disclosed in "— Our Relationship with Feihe Dairy Group" and in "Directors, Senior Management and Employees," (i) none of them has any relationships (including family, trust or employment relationships) with Feihe Dairy Group since the establishment of our Group; (ii) there were no overlap in directorships and management teams of our Group and Feihe Dairy Group; and (iii) none of them directly or indirectly hold any equity interest in Feihe Dairy Group.

Our transactions with Feihe Dairy Group during the Track Record Period

During the Track Record Period, we had sales of raw milk to Feihe Dairy Group and acquired the entire equity interests of Kedong Oumei Farm and Gannan Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan with the relevant transaction amounts stated below:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of raw milk	337	52,820	91,673	57,989	94,806
Acquisition of farms	—	845,226	—	—	—

In addition, in 2011, Feihe Dairy HLJ paid RMB68.6 million on our behalf to a local heifer importer as a portion of the total purchase price for the procurement of 8,300 Holstein heifers from Uruguay and we fully settled such amount with Feihe Dairy HLJ in June 2013.

Furthermore, as of 31 December 2010, 2011 and 2012 and 30 June 2013, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million, RMB365.0 million and RMB349.0 million, respectively.

Deemed connected person after Listing

Feihe Dairy Group (comprising Feihe Dairy HLJ and its subsidiaries) is not a connected person of the Company for the purpose of Rule 14A.11 of the Listing Rules. However, due to our past relationship and transactions with Feihe Dairy Group as disclosed in "— Our Relationship with Feihe Dairy Group," it is deemed by the Stock Exchange as our connected person after Listing pursuant to Rule 14A.06 of the Listing Rules.

For other information of Feihe Dairy Group, please refer to Appendix V to this Prospectus.

CHANGE IN REGISTERED/ISSUED CAPITAL AND/OR EQUITY-HOLDERS OF MEMBERS OF OUR GROUP

Change in Registered Capital and/or Equity-holders of the Subsidiaries of Our Group which were established in the PRC

Ruixinda

Since the establishment of Ruixinda in December 2010 and up to the Latest Practicable Date, the registered capital in Ruixinda was RMB180 million which was fully paid up on 22 December 2011.

At the time of Ruixinda's establishment, Ms. SX Li (the spouse of Mr. HL Zhao) was the registered holder and beneficial owner of 61.1% of the registered capital in Ruixinda. The remaining 38.9% of the registered capital was owned by five individual investors. Four of the five individuals (namely, Zhang Chaohui, Hu Yiyao, Xiong Han and Zhang Dijun) became the beneficial owners of approximately 11.55%, in aggregate, of the issued share capital in the Company upon its establishment.

As part of the Reorganization, and pursuant to equity-transfer agreements dated 18 May 2012 entered into among the above six equity-holders of Ruixinda (as vendors) and our HK Subsidiary (as purchaser), our HK Subsidiary agreed to acquire the entire registered capital in Ruixinda at the purchase price of RMB180 million in aggregate, which was determined based on the valuation by reference to the paid-up registered capital of Ruixinda. Such purchase price was settled in February 2013 and the above acquisition was completed on 26 October 2012. For further details, please refer to "— Reorganization" below in this section.

Following such change and up to the Latest Practicable Date, the registered holder and beneficial owner of Ruixinda, being our HK Subsidiary, remained unchanged.

YST Heilongjiang

YST Heilongjiang is one of our key operating subsidiaries established in the PRC. It was incorporated on 5 September 2008 with an initial registered capital of RMB30 million. From September 2009 to 6 January 2011, its registered capital was increased by several rounds of investment to RMB185 million. During the period from the establishment of YST Heilongjiang (and the subsequent change in trust arrangements as described in "— Our Relationship with Feihe Dairy Group" above) to 9 January 2011, the entire registered capital in YST Heilongjiang was beneficially owned by Mr. HL Zhao.

Ruixinda first became an equity-holder of YST Heilongjiang by paying RMB45 million in cash to subscribe for 24.32% of the registered capital in YST Heilongjiang, which relevant registration procedures were completed on 10 January 2011. Such subscription price was fully paid by Ruixinda on 6 January 2011. Subsequently, on 28 December 2011, Ruixinda and YST Heping (as purchasers) entered into equity transfer agreements with the then holders of registered capital of YST Heilongjiang (who held such registered capital on trust for Mr. HL Zhao), pursuant to which Ruixinda and YST Heping agreed to acquire 74.68% and 1% of the registered capital in YST Heilongjiang, respectively at an aggregate purchase price paid by Ruixinda and YST Heping for the entire registered capital in YST Heilongjiang amounted to RMB140 million. The purchase price was determined based on the nominal registered capital in YST Heilongjiang. The purchase price had been fully paid as of October 2012.

The registration of the change in the registered equity-holders of YST Heilongjiang was effected on 17 January 2012.

As part of the Reorganization in relation to the settlement of the Total Indebtedness (as defined below) by YST Heilongjiang to the Creditors (as defined below), (i) Ms. SX Li subscribed for an aggregate of 0.99% of the registered capital of YST Heilongjiang (representing 1.85 million shares with a par value of RMB1 each) by paying up an aggregate amount of RMB459,355,000 to YST Heilongjiang in March and April 2013, respectively, which resulted in an increase of registered capital in YST Heilongjiang from RMB185 million to RMB186.85 million. The relevant registration procedures were completed on 3 April 2013; and (ii) Ms. SX Li and YST Heping entered into an equity transfer agreement dated 14 June 2013, pursuant to which Ms. SX Li sold such 0.99% equity interest in YST Heilongjiang to YST Heping at a consideration of RMB1.85 million, which was determined based on the nominal registered capital of YST Heilongjiang. The relevant registration procedures were completed on 18 June 2013. For further details, please refer to "— Reorganization" below in this section.

Following such change and up to the Latest Practicable Date, the registered capital, the registered holders and beneficial owners of YST Heilongjiang remained unchanged.

YST Heping and Ruixinda Gannan

As disclosed in "— Our Relationship with Feihe Dairy Group" above in this section, in September 2011, Ruixinda completed the acquisition of the entire registered capitals of YST Heping and Ruixinda Gannan from Feihe Dairy HLJ and Mr. Ma Jinyan. Immediately before such acquisition, the entire registered capital in each of YST Heping and Ruixinda Gannan amounted to RMB76.52 million and RMB38 million, respectively, and was beneficially owned by Feihe Dairy HLJ (as to 97.5% and 95% of the registered capital in YST Heping and Ruixinda Gannan, respectively) and Mr. Ma Jinyan, being a then employee of Feihe Dairy Group (as to 2.5% and 5% of the registered capital in YST Heping and Ruixinda Gannan, respectively).

Since September 2011 and up to the Latest Practicable Date, the respective registered capital and equity holders of YST Heping and Ruixinda Gannan remained unchanged.

YST Zhenlai

YST Zhenlai was incorporated in the PRC on 9 July 2009, which is one of the operating entities of our Group. The initial registered capital of YST Zhenlai was RMB5 million and was fully paid-up upon its incorporation. In June and July 2010, its registered capital was increased by several rounds of investment to RMB60 million, and the relevant registration procedures were completed in June and July 2010. Since then and up to the Latest Practicable Date, its registered capital remained unchanged.

At the time of its incorporation, the registered capital of YST Zhenlai was owned as to 98% by YST Heilongjiang and 2% by Mr. HL Zhao. Immediately after the increase in registered capital to RMB60 million in July 2010, the registered capital of YST Zhenlai was owned as to 99.83% by YST Heilongjiang and 0.17% by Mr. HL Zhao.

In February 2012, Ruixinda agreed to acquire 0.17% of the registered capital in YST Zhenlai from Mr. HL Zhao at a consideration of RMB100,000, which was the paid-up registered capital contributed by Mr. HL Zhao originally in YST Zhenlai. The purchase price was settled in full in October 2012 and such acquisition was completed on 7 March 2012. Since then and up to the Latest Practicable Date, YST Zhenlai was owned as to 99.83% by YST Heilongjiang and as to 0.17% by Ruixinda.

YST Honghai, YST Sifang, YST Qiqihar, Ruixincheng, Ruixinda Baiquan and YST Yongjin

At the time of their incorporation on 5 May 2009, 7 May 2009, 10 September 2012 and 3 May 2013, the registered capital of each of YST Honghai, YST Sifang, YST Qiqihar and Ruixincheng amounted to RMB5 million, RMB5 million, RMB3 million and RMB550 million, respectively. The registered capital of each of these companies remained unchanged up to the Latest Practicable Date.

At the time of their incorporation, the registered capital of each of YST Honghai and YST Sifang was owned as to 98% by YST Heilongjiang. 2% of the registered capital in each of YST Honghai and YST Sifang was owned by Mr. HL Zhao until 17 March 2013 and 12 March 2013, respectively. Such 2% registered capital in each of YST Honghai and YST Sifang was transferred to (at nil consideration) and registered in the name of Ruixinda on 18 March 2013 and 13 March 2013, respectively. Since then and up to the Latest Practicable Date such equity-holders of YST Honghai and YST Sifang remained unchanged.

At the time of its incorporation, the registered capital of YST Qiqihar was owned as to 95% by YST Heilongjiang and as to 5% by Mr. Wang Shaogang (an executive Director) as trustee for the benefit of Mr. HL Zhao. Our PRC Legal Advisers reviewed the trust agreement signed by Mr. Wang Shaogang, and confirmed that the trust relationship as evidenced and constituted by such agreement was legal, valid, enforceable and binding on Mr. Wang Shaogang as trustee. Pursuant to an equity transfer agreement dated 1 April 2013 entered into by Mr. Wang Shaogang and Ruixinda, Ruixinda agreed to acquire 5% of the equity interest in YST Qiqihar from Mr. Wang Shaogang at nil consideration and such acquisition was completed on 2 April 2013. Such equity-holders have since then remained unchanged up to the Latest Practicable Date.

At the time of their incorporation, the registered capital of each of Ruixinda Baiquan and YST Yongjin were owned as to 99% by YST Heilongjiang and 1% by Ruixinda. Since then and up to the Latest Practicable Date such equity-holders of Ruixinda Baiquan and YST Yongjin remained unchanged.

Ruixincheng was incorporated in the PRC on 3 May 2013 to prepare for the future expansion of our Group. At the time of its incorporation, the registered capital of Ruixincheng was wholly owned by the HK Subsidiary. The initial registered capital of Ruixincheng was RMB550 million and approximately RMB247 million was paid-up as of 5 June 2013. Since then and up to the Latest Practicable Date, its registered capital remained unchanged.

Change in Issued Capital and/or Owners of Our BVI Subsidiary and HK Subsidiary

The Company was the sole shareholder of the BVI Subsidiary at the time of its incorporation, and remained so up to the Latest Practicable Date.

The BVI Subsidiary was the sole shareholder of the HK Subsidiary at the time of its incorporation, and remained so up to the Latest Practicable Date.

As part of the Reorganization on 26 April 2013, the BVI Subsidiary entered into a call option deed with ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (collectively, "Subscribers"), pursuant to which the BVI Subsidiary granted call options to each of these five Subscribers, by which the Subscribers will collectively be issued and allotted one ordinary share of the BVI Subsidiary upon exercise of such options by ZHL Asia Limited (for itself and on behalf of all other Subscribers) within three calendar days from the date of the deed (the "Option Period"), in order to set off the advance of a HK$224 million loan by the Subscribers to the BVI Subsidiary pursuant to a loan agreement dated 26 April 2013. The exercise price of such options was HK$1 million in cash. On 29 April 2013, the option deed (and the options) lapsed upon the expiry of the Option Period. Please refer to paragraphs (iv) and (v) on page 125 in "— Reorganization."

Change in Issued Capital and/or Owners of the Company

Incorporation

The Company, the BVI Subsidiary and the HK Subsidiary were incorporated on 1, 3 and 17 May 2012, respectively. They were incorporated for the purpose of implementing the Reorganization.

On 4 May 2012, a total of 58,000 Shares were issued by the Company to the corporate Shareholders in the proportion as stated below (the following also summarizes the ownership of such corporate Shareholders at such time):

Serial no.	**Name of corporate holder of our Shares** *(Note 1)*	**Owner of the issued share capital in such corporate holder** *(Note 2)*	**Relationship with our Group and/or our Controlling Shareholder(s)** *(Notes 3 and 4)*	**No. of Shares held** *(Note 5)*	**Percentage of holding of Shares** *(%)*
1.	ZHL Asia Limited	Mr. HL Zhao (趙洪亮)	A Controlling Shareholder and an executive Director	29,085	50.15
2.	ZHY Asia Limited	Mr. HY Zhao (趙宏宇)	The younger brother of Mr. HL Zhao and a Controlling Shareholder	4,255	7.34
3.	MFQ Asia Limited	Meng Fanqing (孟凡慶)	Individual investor of our Group	4,895	8.44
4.	ZCH Asia Limited	Zhang Chaohui (張朝暉)	Individual investor of our Group	3,100	5.34
5.	YHW Asia Limited	Yang Hongwei (楊宏偉)	Individual investor of our Group	2,000	3.45
6.	SB Asia Limited	Sun Bo (孫博)	Individual investor of our Group	1,900	3.28
7.	Inno Technology (HK) Limited	Tang Xiaoyang (唐曉陽)	Individual investor of our Group	2,000	3.45
8.	Fine Time Holdings Limited	Liu Shuguang (劉曙光)	Individual investor of our Group	1,000	1.72
9.	Guo Xin Investments Limited	Xia Xinyu (夏鑫玉)	Individual investor of our Group	666	1.15
10.	ZDJ Asia Limited	Zhang Dijun (張迪軍)	Individual investor of our Group	800	1.38
11.	SM Asia Limited	Song Miao (宋淼)	An employee of our Group	700	1.21

Serial no.	Name of corporate holder of our Shares *(Note 1)*	Owner of the issued share capital in such corporate holder *(Note 2)*	Relationship with our Group and/or our Controlling Shareholder(s) *(Notes 3 and 4)*	No. of Shares held *(Note 5)*	Percentage of holding of Shares *(%)*
12.	MLW Asia Limited	Mo Liwei (莫麗偉)	Individual investor of our Group	700	1.21
13.	SXY Asia Limited	Sun Xiaoyan (孫曉燕)	Individual investor of our Group	730	1.26
14.	XH Asia Limited	Xiong Han (熊瀚)	Individual investor of our Group	1,200	2.07
15.	HYY Asia Limited	Hu Yiyao (胡藝耀)	Individual investor of our Group	1,600	2.76
16.	ZSY Asia Limited	Zhao Siyuan (趙思源)	Individual investor of our Group	1,330	2.29
17.	XDH Asia Limited	Xie Dehe (解德河)	Individual investor of our Group	333	0.57
18.	SYL Asia Limited	Sun Yulong (孫玉龍)	Individual investor of our Group	310	0.53
19.	Precious View Investments Limited	Meng Xiaobin (孟曉斌) (70%) Ren Jie (任傑) (30%)	Individual investor of our Group Individual investor of our Group	396	0.68
20.	Zhongchi Management Consulting Limited	Zhang Ye (張曄) (40%) Xu Qing (徐青) (20%) Yu Taifeng (俞太鋒) (20%) Zhou Zhigang (周志剛) (10%) Ren Hong (任宏) (10%)	Individual investor of our Group Individual investor of our Group Individual investor of our Group Individual investor of our Group Individual investor of our Group	1,000	1.72
			Total:	58,000	100%

Notes:

1. Except for Inno Technology (HK) Limited (no.7 above) which is incorporated in Hong Kong, each of the corporate Shareholders set forth in the second column above is incorporated in the BVI. The corporate Shareholders numbered 1–20 are principally engaged in investment holdings. As of the Latest Practicable Date, except for their respective investments in the Shares, the corporate Shareholders numbered 1–20 did not have other material assets and operation. Save for the (i) investments in the Company and HLJ Beian NKTH (see note 3 below) and (ii) the sole owner of corporate Shareholder no.11 (namely Ms. Song Miao) who is an employee of our Group, the individual owners of these corporate Shareholders did not have business relationship with our Group.

2. Except for Precious View Investments Limited and Zhongchi Management Consulting Limited (no.19 and 20 above), the entire issued share capital in each corporate Shareholder is owned by the individual person named in the third column. Each of individuals named in the third column is a PRC citizen, where Mr. HL Zhao is also a permanent resident of Republic of Guinea-Bissau.

3. All ultimate individual owners of such Shareholders numbered 1–20 above were also shareholders of HLJ Beian NKTH as of the Latest Practicable Date. As disclosed in "— Reorganization" in this section below, HLJ Beian NKTH advanced funds to our Group for its operations (before the incorporation of the Company). The subscription for Shares at the Company's incorporation by the corporate Shareholders named in the second column was implemented as part of an overall reorganization plan of our Group so that their previous contribution to our Group (through loan advance) was reorganized by the allotment of Shares.

4. Save for the relationship as disclosed in note 3 above, all ultimate individual owners of such Shareholders numbered 3–20 above are Independent Third Parties.

5. The total subscription price of such 58,000 Shares were HK$580, which was based on the nominal price of HK$0.01 per Share and was received in full by the Company in May 2012. As disclosed in note 3 above, since the ultimate beneficial owners of the respective corporate Shareholders numbered 1–20 had advanced funds to our Group (through HLJ Beian NKTH) for its operations before the incorporation of the Company, the Shares were issued to the respective corporate Shareholders at nominal value in order to recognize their previous contribution to our Group (instead of requiring them to inject more funds into our Group). There was not any special right on the Shares held by these Shareholders named in the second column.

Subscription and issue of new Shares under the Pre-IPO Investments

On 28 March 2013, the Company (as the issuer), the BVI Subsidiary, Mr. HL Zhao and ZHL Asia Limited entered into the Pre-IPO Subscription Agreements with each of the Pre-IPO Investors. Under the Subscription Agreements, Ares, OCBC and KNI agreed to subscribe for 5,201 Shares, 5,044 Shares and 5,044 Shares at the subscription price in US$ or HK$ (as the case may be) equivalent to RMB206,220,500, RMB200,000,000 and RMB200,000,000, respectively. The Pre-IPO Subscription Agreements were completed on 30 April 2013, and we received a total Pre-IPO Subscription Price of US$33,151,756, US$32,151,756.29 and HK$249,392,106.74 (approximately RMB606,220,500 in aggregate) from Ares, OCBC and KNI, respectively, on the same date. Following completion of such subscriptions, the aggregate number of Shares held by the Pre-IPO Investors was 15,289, which represented 20.86% of the enlarged issued share capital (immediately after the said completion) in the Company.

For further details, please refer to "— Pre-IPO Investments" below.

Further changes in ownership of the Shares

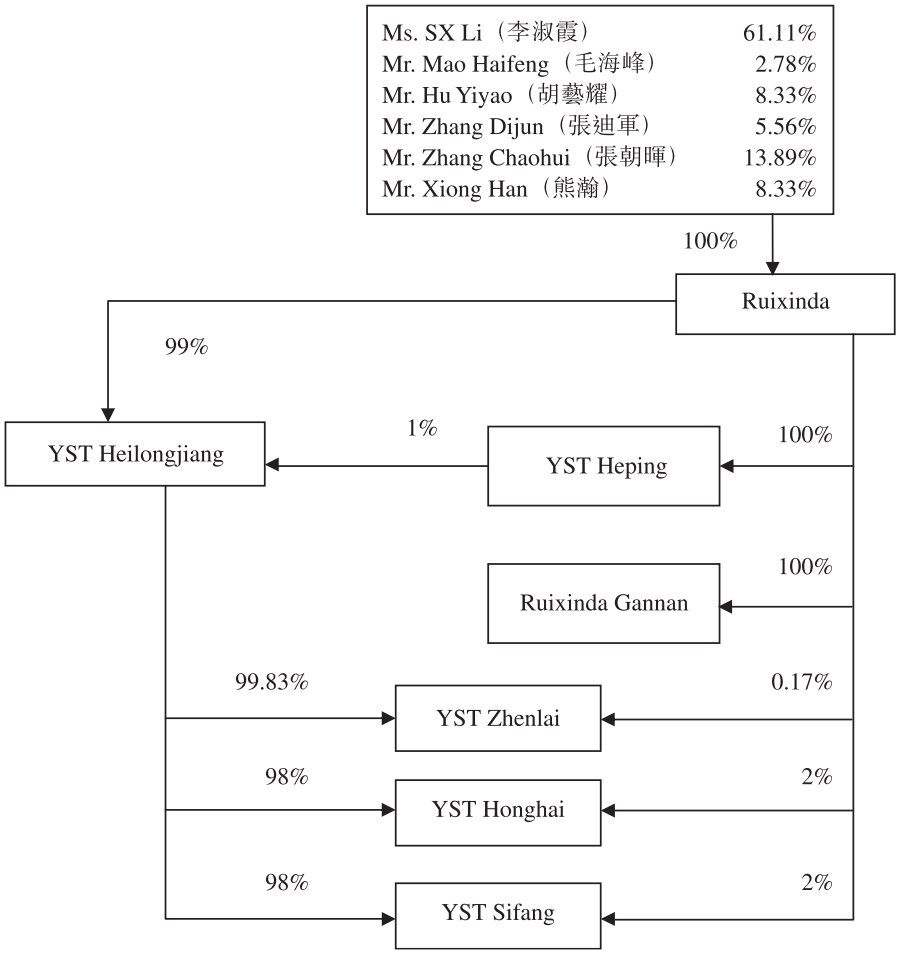
On 15 May 2013, one of our minority Shareholders, MFQ Asia Limited, transferred its 770 Shares to Maximum Shine Limited and 1204.2831 Shares to HQ-China Fund L.P. at a consideration of US$4,801,993.75 and US$7,550,000, respectively, which were determined with reference to the subscription price per Share paid by the Pre-IPO Investors under the Pre-IPO Subscription Agreements. Such considerations were settled in full by Maximum Shine Limited on 24 April 2013 and by HQ-China Fund L.P. on 26 April 2013. The approval of such transfers from the Bermuda Monetary Authority was obtained on 13 May 2013.

For further details, please refer to "— Pre-IPO Investments" below.

For more information on the above minority Shareholders, please refer to note (b) to the chart setting out the shareholding and corporate structure immediately after the Reorganization and as of the Latest Practicable Date in "— Corporate Structure" below on page 138.

REORGANIZATION

Prior to the Reorganization, the corporate structure of our Group (as of 30 April 2012) was as follows:



To rationalize our Group's structure, our Group underwent the Reorganization prior to Listing, which involved the following steps:

(i) on 1 May 2012, the Company was incorporated with an issued share capital of HK$580 (comprising 58,000 Shares) and there were a total of 20 corporate Shareholders. For further information of such corporate Shareholders, please refer to "— Change in Registered/Issued Capital and/or Equity-holders of Members of Our Group — Change in Issued Capital and/or Owners of the Company" in this section;

(ii) on 3 May 2012, the BVI Subsidiary was incorporated, whose sole registered and beneficial owner was the Company;

(iii) on 17 May 2012, the HK Subsidiary was incorporated, whose sole registered and beneficial owner was our BVI Subsidiary;

(iv) by equity-transfer agreements dated 18 May 2012 and made by the then six equity-holders of Ruixinda (as vendors) and our HK Subsidiary (as purchaser), our HK Subsidiary agreed to acquire the entire registered capital in Ruixinda at the purchase price of RMB180 million. All purchase prices were settled in April 2013, which were financed by five of the then Shareholders pursuant to a loan agreement dated 26 April 2013 (as mentioned in sub-paragraph (v) below). Following the grant of approvals by Harbin Investment Promotion Bureau* (哈爾濱市投資促進局) on 30 May 2012 and the issue of the relevant updated business license of Ruixinda by Harbin AIC on 26 October 2012, the HK Subsidiary became the registered equity-holder of Ruixinda;

(v) as mentioned in sub-paragraph (iv) above, pursuant to a loan agreement dated 26 April 2013, ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (all being Shareholders) advanced an interest-free loan of HK$224 million (equivalent to approximately RMB180 million) to the BVI Subsidiary for the purpose of settling the purchase prices payable by the HK Subsidiary to the six equity-holders of Ruixinda. On 26 April 2013, the BVI Subsidiary entered into a call option deed with the Subscribers, pursuant to which the BVI Subsidiary granted a call option to each of these five Subscribers, which the Subscribers will be issued and allotted in aggregate one ordinary share of the BVI Subsidiary upon exercise of such options by ZHL Asia Limited (for itself and on behalf of all other Subscribers) within the Option Period, in order to set off the advance of the above HK$224 million loan by the Subscribers. The exercise price of such options would be the sum of HK$1 million in aggregate in cash. On 29 April 2013, the option deed (and the options) lapsed upon the expiry of the Option Period.

The purpose of the above arrangement was to facilitate our Group to acquire Ruixinda as part of the Reorganization; and

(vi) to finance the construction and operations of the dairy farms by the PRC subsidiaries of our Group in previous years, certain connected persons and employees of our Group and shareholders and employees of Mr. HL Zhao's private company made several interest-free advances to certain PRC subsidiaries of our Group during the period between December 2010 to April 2012. As of 28 February 2013, the amount of indebtednesses owing by the relevant

PRC subsidiaries of our Group (namely, Ruixinda, YST Heilongjiang, YST Zhenlai and YST Sifang) (collectively, the "Original Debtors") to such individuals and corporate entities (collectively, the "Creditors") are shown as follows:

Serial No.	Creditor	Relationship of the Creditor with our Group	Original Debtor	Amount of Indebtedness
				(RMB)
a.	HLJ Beian NKTH	A company incorporated in the PRC, which certain ultimate beneficial owners of the then Shareholders were shareholders of HLJ Beian NKTH as of the Latest Practicable Date	Ruixinda	164,209,782
b.	Ms. Song Miao	An employee of our Group	Ruixinda	10,000,000
c.	Ms. SX Li	Spouse of Mr. HL Zhao	Ruixinda	133,210,000
d.	Mr. Liu Chengmin ("Mr. CM Liu")	An employee of Mr. HL Zhao's private company	YST Heilongjiang	32,437,000
e.	HLJ Beian NKTH	See item a	YST Heilongjiang	93,762,870
f.	HLJ Beian NKTH	See item a	YST Zhenlai	17,000,000
g.	Mr. CM Liu	See item d	YST Zhenlai	14,563,000
h.	HLJ Beian NKTH	See item a	YST Sifang	6,636,234
i.	Mr. Mao Haifeng	An employee of Mr. HL Zhao's private company	YST Sifang	6,000,000
			Total:	477,818,886

(the "Total Indebtedness")

To facilitate the settlement of the Total Indebtedness before Listing, Ms. SX Li subscribed for an aggregate of 0.99% of the registered capital of YST Heilongjiang (represented by 1.85 million shares with a par value of RMB1 each) by paying up an aggregate amount of RMB459,355,000 (the "Heilongjiang Subscription Price") to YST Heilongjiang (i.e. at a premium) in March and April 2013, respectively. The relevant registration procedures were completed on 3 April 2013. The Heilongjiang Subscription Price received was applied by YST Heilongjiang on behalf of the other Original Debtors, together with the internal funds of the Original Debtors, to repay the Total Indebtedness to the respective Creditors in full as of 13 May 2013.

In such connection, the Heilongjiang Subscription Price consisted of (i) RMB280.32 million which came from Mr. HL Zhao and Ms. SX Li's own funds; and (ii) RMB178.68 million which was borrowed from 14 then ultimate individual Shareholders, namely, Hu Yiyao, Xiong Han, Liu Shuguang, Xia Xinyu, Zhou Zhigang, Sun Xiaoyan, Sun Bo, Song Miao, Sun Yulong, Mo Liwei, Xie Dehe, Zhao Siyuan, Meng Fanqing, and Yang Hongwei (collectively, the "Lending Shareholders"). As shown in the table above, approximately 90% of the Total Indebtedness was owing by our Group to HLJ Beian

NKTH, Ms SX Li and Song Miao, and all the Lending Shareholders were also shareholders of HLJ Beian NKTH. The rationale of such arrangement was to facilitate the settlement of the Total Indebtedness by our Group by reorganizing the relevant amount of such indebtedness (i.e. the aforesaid RMB178.68 million) to become one only between Ms. SX Li and the Lending Shareholders so that our Group does not have to be involved therein. Such advances are non-interest-bearing and no agreement was entered into regarding such capital contribution. As confirmed by each of the Lending Shareholders, moneys paid for such capital injection came from their respective own funds.

Following such repayment and prior to the Listing, Ms. SX Li and YST Heping entered into an equity transfer agreement dated 14 June 2013, pursuant to which Ms. SX Li sold such 0.99% equity interest in YST Heilongjiang to YST Heping at a consideration at RMB1.85 million, which was equivalent to 0.99% of the registered capital in YST Heilongjiang. The relevant registration procedures were completed on 18 June 2013.

Note: The aggregate amount due to shareholders and related companies from our Group in the amount of approximately RMB446 million as of 31 December 2012, as disclosed on page 278 of this Prospectus, was part of the Total Indebtedness and thus was settled in full as of 13 May 2013 through applying the Heilongjiang Subscription Price received from Ms. SX Li by YST Heilongjiang for repayment as mentioned above.

PRE-IPO INVESTMENTS

A. Investments by Ares, OCBC and KNI and issue of new Shares

Background

On 28 March 2013, the Company, Mr. HL Zhao, ZHL Asia Limited and the BVI Subsidiary entered into the Ares Investment Agreements, the OCBC Investment Agreements and the KNI Investment Agreements with each of Ares, OCBC and KNI, respectively, for the purpose of implementing the Pre-IPO Investments. Following completion of the Pre-IPO Investments on 30 April 2013, the parties to the respective Pre-IPO Investment Agreements entered into supplemental agreements all dated 15 May 2013, pursuant to which certain provisions in each of the Pre-IPO Subscription Agreements concerning events of default triggering the Put Option (as defined below) were amended. Pursuant to three separate side letters (collectively, "Put Option Side Letters") all dated 28 October 2013 entered into between Mr. HL Zhao, ZHL Asia Limited, the Company, Natural Dairy Farm and each of the Pre-IPO Investors, respectively, pursuant to which the prescribed date of the triggering event of the Put Option was extended from 30 June 2014 to 1 January 2015.

Each of the Pre-IPO Investors is an Independent Third Party to the Company and the Controlling Shareholder (other than being a Shareholder of the Company pursuant to the Pre-IPO Investment Agreements). To the best knowledge and belief of the Directors, the Pre-IPO Investors made such investments in our Group based on their expectations of our growth potential and prospects.

Backgrounds of the Pre-IPO Investors are set out below:

Ares: Ares, an exempted limited partnership organized and existing under the laws of the Cayman Islands and is 100% controlled by ACOF Asia Management, L.P. which in turn is 100% controlled by Ares Management (Cayman), Ltd. Ares is affiliated with Ares

Management LLC, an investment adviser registered with the U.S. Securities and Exchange Commission with approximately US$68 billion of assets under management and headquartered in Los Angeles, with offices across the United States, Europe and Asia.

OCBC: OCBC is a licensed bank in Singapore listed on the Singapore Exchange Securities Trading Limited. It is a Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912.

KNI: the ultimate sole beneficial owner of KNI is VMS Investment Group Limited which is incorporated in the BVI. VMS Investment Group Limited is a private equity firm which was founded in October 2006. It is the holding company of an investment group of companies covering businesses of proprietary investments, asset management, securities brokerage and corporate advisory services. It makes and/or advises on investments in private equity, pre-IPO investments and other forms of investments. It has more than 10 investment projects under management with assets under active management and advisory exceeding US$1 billion as of the Latest Practicable Date. VMS Securities Limited (''VMS Securities''), the financial adviser to the Company relating to the Global Offering, is a wholly owned subsidiary of VMS Investment Group Limited. The main role of VMS Securities is to provide advisory services to the Company throughout the listing process, including the selection of cornerstone investor(s) and strategic investor(s) for the Company.

Our Directors are of the view that the Pre-IPO Investments will broaden our Shareholders' base and further improve our corporate governance and internal control, which in turn will benefit the Company and our Shareholders as a whole.

Subscription for Shares under the Pre-IPO Investment Agreements

Pursuant to the Pre-IPO Investment Agreements, each of the Pre-IPO Investors subscribed for and the Company issued and allotted certain number of Shares to such Pre-IPO Investors upon completion of the Pre-IPO Investment Agreements. Such completion took place on 30 April 2013. Brief details of the subscription made by the Pre-IPO Investors are as follows:

Pre-IPO Investors	**Ares**	**OCBC**	**KNI**
Number of Shares subscribed	5,201	5,044	5,044
Total consideration (the ''Pre-IPO Subscription Price'')	US$ equivalent of RMB206,220,500	US$ equivalent of RMB200,000,000	HK$ equivalent of RMB200,000,000
Basis of determination of consideration	The respective considerations were arrived at through arm's length negotiation between the parties with reference to a pre-money valuation of our Group of RMB2.3 billion		
Effective purchase cost per Share	RMB39,650	RMB39,651	RMB39,651
Payment date (i.e. the completion date)	30 April 2013	30 April 2013	30 April 2013

Pre-IPO Investors	Ares	OCBC	KNI
Percentage shareholding of the Pre-IPO Investor immediately following completion of the Pre-IPO Investment Agreements	7.10%	6.88%	6.88%
Percentage of shareholding of the Pre-IPO Investor immediately following completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised at all)	4.82%	4.66%	4.66%
Discount to the mid-point of indicative offer price (i.e. HK$2.84 per Offer Share)	56.0%	56.0%	56.0%

Use of proceeds

The aggregate Pre-IPO Subscription Price was agreed to be applied solely for the following purposes:

(i) expansion and development of existing pastures owned by any member(s) of our Group;

(ii) acquisition, contracting, developing or leasing of new pastures in a manner which complies with applicable laws as well as the requirements of the Pre-IPO Investors; and

(iii) meeting working capital requirements of any member(s) of our Group.

As of the Latest Practicable Date, approximately US$86 million (equivalent to approximately RMB529 million) of the aggregate Pre-IPO Subscription Price received pursuant to the Pre-IPO Investment Agreements had been used.

Lock-up

The Pre-IPO Investment Agreements are silent as to whether the Shares held by each Pre-IPO Investor will be subject to any lock-up requirements after the Listing.

Public float

The Shares subscribed by the Pre-IPO Investors pursuant to the Pre-IPO Investment Agreements will be counted as part of the public float of the Company given that each of the Pre-IPO Investors is solely a strategic investor in our Group and is an Independent Third Party.

Other Rights of the Pre-IPO Investors under the Pre-IPO Investment Agreements

The principal rights of the Pre-IPO Investors under the Pre-IPO Investment Agreements are summarized below:

(i) **Put option**: each Pre-IPO Investor has been granted a put option (the "Put Option") to require the Company, ZHL Asia Limited and/or Mr. HL Zhao (collectively, the "Put Option Covenanters"), on a joint and several basis, to repurchase or purchase (as the case may be) the Shares held by such Pre-IPO Investor upon the occurrence of the event that an initial public offering of Shares on a qualified exchange (including the Listing) (for the purpose of this subsection headed "Pre-IPO Investments," the "IPO") does not occur on or before 1 January 2015 (as amended by the Put Option Side Letters).

The price payable by the Put Option Covenanters to any Pre-IPO Investor upon such Pre-IPO Investor's exercise of its Put Option will be the respective Pre-IPO Subscription Price paid by such Pre-IPO Investor plus an agreed rate of return being an internal rate of return of 20%.

On 28 March 2013, Mr. HL Zhao, ZHL Asia Limited and the Company entered into a side agreement ("Side Agreement"), pursuant to which these parties agreed so long as their obligations ("Put Option Obligations") to purchase or to repurchase, as the case may be, the Shares held by the Pre-IPO Investor under the Pre-IPO Investment Agreements subsist, Mr. HL Zhao and ZHL Asia Limited shall be the primary obligors for the performance and discharge of the Put Option Obligations. Further, in the event the Put Option Covenanters receive such Put Option notice from the Pre-IPO Investor(s), Mr. HL Zhao and ZHL Asia Limited agreed and undertook to the Company, on a joint and several basis, to (i) assume the Put Option Obligations in respect of the Company and take all necessary actions, including but not limited to paying the price payable under the Put Option Obligations, in accordance with the instructions of the Company; and (ii) indemnify the Company against any cost, expenses, loss and liability incurred by the Company in respect of its Put Option Obligations.

(ii) **Fixed monetary return to the Pre-IPO Investors through a two-way compensation between the Pre-IPO Investors and ZHL Asia Limited**: Each Pre-IPO Investor is entitled to the following pre-agreed return based on the formula set forth below:

Pre-agreed return = (T × R) – D1 + D2

Where:

"T" is the respective Pre-IPO Subscription Price paid by a Pre-IPO Investor reduced by the same percentage as the number of Shares repurchased/purchased by the Put Option Covenanters upon exercise of the Put Option (if any) bears to the number of Shares held by the Pre-IPO Investor

"R" is the respective percentages set forth below which will be varied with the occurrence of the following events:

Pre-IPO Investors	Ares	OCBC	KNI
if the IPO occurs before the first anniversary of the date of subscription of the Shares by the respective Pre-IPO Investor (the "Subscription Date")	210%	200%	190%
if the IPO occurs from (and including) the first anniversary of the Subscription Date and before the second anniversary of the Subscription Date	230%	220%	210%
if the IPO occurs from (and including) the second anniversary of the Subscription Date and before the third anniversary of the Subscription Date	250%	240%	230%
if the IPO occurs on or after the third anniversary of the Subscription Date	300%	290%	280%

"D1" is the aggregate distributions of profits and other distributions received by the Pre-IPO Investor in respect of all of the Shares held by such Pre-IPO Investor as of the business day immediately prior to the date of the IPO; and

"D2" is the amount of accrued but unpaid distributions of profits and other distributions payable to the Pre-IPO Investor in respect of all of the Shares held by the Pre-IPO Investor.

At the time of an IPO, if the value of the Shares held by the Pre-IPO Investor (as determined with reference to the issue price per Share in the IPO (the "IPO Price")) is such that it results in a return greater than the above relevant pre-agreed return to such Pre-IPO Investor, such Pre-IPO Investor shall compensate ZHL Asia Limited the excessive value in cash. Conversely, ZHL Asia Limited and Mr. HL Zhao shall make such cash compensation to the Pre-IPO Investor if the value of the Shares held by such Pre-IPO Investor at the IPO Price is such that it results in a return less than the pre-agreed return as set forth in the above table.

The cash compensation arrangement referred to in this paragraph is hereinafter called the "Compensation Mechanism."

(iii) **Share Charge**: as a security for the performance by ZHL Asia Limited and Mr. HL Zhao of the payment obligations under the Pre-IPO Investment Agreements, ZHL Asia Limited has executed a first fixed charge in favor of each Pre-IPO Investor over a certain number of Shares held by ZHL Asia Limited (in proportion to such Pre-IPO Investor's respective investment in the Company relative to the Pre-IPO Subscription Price). Such charged Shares represent an aggregate of approximately 50.15% of the issued share capital of the Company prior to the completion of the Pre-IPO Investment Agreements (collectively, the "Pre-IPO Charges" and each, a "Pre-IPO Charge"). Each Pre-IPO Charge will be released upon

Listing if the obligations of ZHL Asia Limited and Mr. HL Zhao to pay the relevant Pre-IPO Investor the cash amount under the Compensation Mechanism have been discharged in full by the Listing Date. In addition, Mr. HL Zhao has confirmed that he and ZHL Asia Limited have and will continue to have the capability (financial or otherwise) to fulfill their payment obligations under the Compensation Mechanism (if so arising) to the Pre-IPO Investors. Mr. HL Zhao has further undertaken that he will fully discharge his payment obligations under the Compensation Mechanism (if so arise) prior to the Listing Date, so that the pre-IPO Charges will not survive the Listing.

(iv) **Release of certain Shares for sale in the IPO**: if ZHL Asia Limited intends to dispose of a number of its Shares (which are subject to the Pre-IPO Charge(s)) for the sole purpose of financing the payment to a Pre-IPO Investor of the cash amount under the Compensation Mechanism (the "ZHL Sale Shares"), the relevant Pre-IPO Investor (being the chargee of such Pre-IPO Charge) shall use all commercially reasonable efforts to facilitate the release of the ZHL Sale Shares from the Pre-IPO Charge, and the Company shall ensure that all proceeds of the ZHL Sale Shares from the IPO (up to the maximum amount ZHL Asia Limited is obligated to pay the relevant Pre-IPO Investor under the Compensation Mechanism) shall be paid directly to such Pre-IPO Investor as if such Pre-IPO Investor (and not ZHL Asia Limited) were the selling shareholder in the IPO in respect of the ZHL Sale Shares. Any unpaid proceeds shall bear interest from the due date for payment until the date on which the relevant Pre-IPO Investor receives such proceeds in full, at a compound interest rate of 20% per annum accrued on the unpaid proceeds.

(v) **Board nomination**: the Board shall consist of no less than three and no more than 17 Directors. Each Pre-IPO Investor shall be entitled to appoint one Director, whom may only be removed by the relevant Pre-IPO Investor that had appointed him. The chairman of the Board shall be appointed by the Board.

(vi) **Pre-emption rights**: ZHL Asia Limited and the Company shall not (and ZHL Asia Limited and Mr. HL Zhao shall procure that none of ZHL Asia Limited or the Company shall) issue or sell any Shares (and/or equivalent interests) to any person or incur any indebtedness in favor of any person (other than for the purpose of the transactions permitted under the Pre-IPO Investments, the restructuring for a qualified IPO, an incentive scheme where the Pre-IPO Investors' approval is not required, and the Listing), unless such issue or sale of Shares (and/or equivalent interests) is offered to the Pre-IPO Investors under the same terms and conditions or terms and conditions more favorable to the Pre-IPO Investors in accordance with the prescribed manner under the Pre-IPO Investment Agreements and is not taken up by the Pre-IPO Investors.

(vii) **Anti-dilution**: Without prejudice to the pre-emption rights as mentioned above, ZHL Asia Limited and Mr. HL Zhao shall procure that the Company not to issue or sell any Shares (and/or equivalent interests) to any person or incur any indebtedness in favor of any person (other than for the purpose of the transactions permitted under the Pre-IPO Investments, the restructuring for a qualified IPO, an incentive scheme where the Pre-IPO Investors' approval is not required, and the Listing), unless prior to or at the same time of such new issue of Shares, the Company shall issue such number of additional Shares credited as fully paid-up to the Pre-IPO Investors (without payment of any additional subscription monies or other

consideration) so that the Pre-IPO Investors shall continue to hold their respective shareholding percentages of the enlarged share capital of the Company immediately after such new issue of Shares, on an as-converted and fully-diluted basis.

(viii) **Sales guarantee**: Mr. HL Zhao and ZHL Asia Limited guarantee to the Pre-IPO Investors that for each of the two financial years after the occurrence of an IPO (excluding any financial year after 2016) (the "Relevant Financial Years" each, a "Relevant Financial Year"), the total sales volume of our Group's milk and milk products (the "Actual Sales Volume"), as represented by the total sales volume of biological assets of our Group for each of the Relevant Financial Years shall be no less than the guaranteed sales volume of the Relevant Financial Years (the "Guaranteed Sales Volume") specified below:

For the financial year ending	Guaranteed Sales Volume (million kilograms)
2013	180
2014	240
2015	290
2016	360

In the event the Actual Sales Volume is less than the Guaranteed Sales Volume in any Relevant Financial Year, Mr. HL Zhao and ZHL Asia Limited will unconditionally and irrevocably, on a joint and several basis, pay to the Pre-IPO Investors within 120 calendar days of the end of that Relevant Financial Year an amount (the "Sales Guarantee Compensation") in immediately available funds as determined by the formula set out below:

MS = G – A

ST = S/T x 100%

Amount of Sales Guarantee Compensation for the Relevant Financial Year = MS x AG x ST

Where:

"MS" is the shortfall on the total sales volume of our Group's milk and milk products for that Relevant Financial Year, i.e. the difference between the Guaranteed Sales Volume for the Relevant Financial Year and the Actual Sales Volume for the Relevant Financial Year;

"G" is the Guaranteed Sales Volume for the Relevant Financial Year;

"A" is the Actual Sales Volume for the Relevant Financial Year;

"AG" is the average gross profit per kilogram of our Group's total milk and milk products sales as set out in the audited financial statements for each of the Relevant Financial Years, which is to be determined as follows:

(a) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2013, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for each of the three financial years ending 31 December 2011, 2012 and 2013;

(b) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2014, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for the three financial years ending 31 December 2012, 2013 and 2014;

(c) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2015, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for the three financial years ending 31 December 2013, 2014 and 2015; or

(d) For the amount of Sales Guarantee Compensation for the Relevant Financial Year of 2016, AG is determined by the average gross profit per kilogram of our Group's total milk and milk products sales for the three financial years ending 31 December 2014, 2015 and 2016.

If AG in any of the Relevant Financial Year is less than zero, the AG for that Relevant Financial Year will be excluded from the calculation of AG;

"S" is the number of Shares held by the Pre-IPO Investor as of 31 December of that Relevant Financial Year; and

"T" is the total number of outstanding Shares in issue as of 31 December of that Relevant Financial Year.

Notwithstanding the above, if Mr. HL Zhao or ZHL Asia Limited provides to the Pre-IPO Investor, within 120 calendar days of the end of a Relevant Financial Year, evidence reasonably satisfactory to the Investor that the fact that the Actual Sales Volume in that Relevant Financial Year is less than the Guaranteed Sales Volume in that Relevant Financial Year is mainly attributable to one or more force majeure events, Mr. HL Zhao and ZHL Asia Limited shall not be under any obligation to guarantee the sales volume of our Group's milk and milk products in that Relevant Financial Year or pay the Sales Guarantee Compensation in respect of that Relevant Financial Year.

Pursuant to the Pre-IPO Investment Agreements, the above rights (save and except the Pre-IPO Charges and the Sales Guarantee Compensation as mentioned above) will be terminated upon Listing. Mr. HL Zhao has confirmed that he and ZHL Asia Limited has and will continue to have the capability (financial or otherwise) to fulfill their payment obligations under the Compensation Mechanism (if so arising) to the Pre-IPO Investors. Mr. HL Zhao has further undertaken that before the Listing Date, he will procure the Pre-IPO Investors to come to agreement with him on a fixed amount of compensation (if any), and that he will make such payment before the Listing Date, so that no further compensation will have to be paid after Listing. As such, the Directors are of the view that the Company and the Controlling Shareholders will be able to comply with the requirements under Rule 10.07 of the Listing Rules.

Our Directors confirm that the Pre-IPO Investment Agreements were entered into on normal commercial terms. The Joint Sponsors are of the view that the Pre-IPO Investment Agreements are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange.

Note: On 4 February 2013, Ares, the Company, Mr. HL Zhao, ZHL Asia Limited and the BVI Subsidiary entered into a subscription agreement and certain other documents in relation to the proposed investment by Ares in the Company. These agreements were rescinded by the Ares Investment Agreements as mutually agreed between the parties.

B. Transfer of Shares by a minority Shareholder

Background

Pursuant to two share transfer agreements both dated 2 April 2013 ("Minority Transfer Agreements") made by MFQ Asia Limited and Mr. Meng Fanqing on the one part with each of the purchasers (namely, Maximum Shine Limited and HQ-China Fund L.P.) on the other part respectively, one of our minority Shareholders, namely MFQ Asia Limited, transferred its 770 Shares to Maximum Shine Limited and 1204.2831 Shares to HQ-China Fund L.P. at a consideration of US$4,801,993.75 and US$7,550,000, respectively. The approval of such transfers by the Bermuda Monetary Authority was obtained on 13 May 2013.

As of the date of the above transfer, Maximum Shine Limited was owned as to 90% by Yang Xiaofeng (楊效豐) and 10% by Ma Liang (馬良) (both are Independent Third Parties). On 21 May 2013, Yang Xiaofeng completed the transfer his entire interest in Maximum Shine Limited to Ma Liang at a consideration of RMB27,581,400, which was determined with reference to the subscription price per Share paid by the Pre-IPO Investors under the Pre-IPO Subscription Agreements. The consideration was fully settled as of 23 May 2013. As of the Latest Practicable Date, Maximum Shine Limited was wholly owned by Ma Liang.

As of the date of the above transfer and the Latest Practicable Date, HQ-China Fund L.P., being an Independent Third Party, was a limited partnership established in the Cayman Islands, of which CSCI. Co. Ltd (being an indirect wholly owned subsidiary of China Securities (International) Asset Management Company Limited) was the sole general partner. China Securities (International) Asset Management Company Limited and China Securities (International) Corporate Finance Company Limited (being one of the Joint Sponsors) were direct wholly owned subsidiaries of China Securities (International) Finance Holding Company Limited.

To the best knowledge and belief of the Directors, such transfer of Shares was made because each of Maximum Shine Limited and HQ-China Fund L.P. appreciated our Group's potential and prospects.

Details of the transfer of Shares

	Maximum Shine Limited	**HQ-China Fund L.P.**
Date of transfer	15 May 2013	15 May 2013
Number of Shares transferred	770	1204.2831
Consideration	US$4,801,993.75	US$7,550,000
Basis of determination of consideration	The respective considerations were determined with reference to the subscription price per Share paid by the Pre-IPO Investors under the Pre-IPO Subscription Agreements.	

	Maximum Shine Limited	HQ-China Fund L.P.
Approximate effective purchase cost per Share	US$6,236.36	US$6,269.29
Payment date	24 April 2013	26 April 2013
Completion date	15 May 2013	15 May 2013
Percentage shareholding immediately following the transfer	1.05%	1.64%
Percentage shareholding immediately following completion of the Global Offering and Capitalization Issue	0.79%	1.23%
Discount to mid-point of indicative offer price (i.e. HK$2.84 per Offer Share)	57.4%	57.2%
Use of proceeds (if any)	No proceeds were received by the Company.	
Lock-up	Such transfers of Shares to Maximum Shine Limited and HQ-China Fund L.P. are silent as to whether such Shares will be subject to any lock-up requirements after the Listing.	
Public float	The Shares held by Maximum Shine Limited and HQ-China Fund L.P. will be counted as part of the public float of the Company given that each of such Shareholders is an Independent Third Party.	
Special rights (if any)	Except the put option and tag-along right mentioned below which would lapse on the Listing Date, there was not any special right on the Shares held by Maximum Shine Limited or HQ-China Fund L.P..	

Put option and tag-along right under the share transfer agreement

Put option: Each of Maximum Shine Limited and HQ-China Fund L.P. (collectively the "Transferees" and each a "Transferee") has been granted a put option to require the MFQ Asia Limited to purchase (if the option is exercised) the Shares then held by such Transferee, on the condition ("Triggering Event") that an initial public offering of Shares on the Stock Exchange does not occur within three years from 15 May 2013, being the date ("Completion Date") of completion of the respective Minority Transfer Agreements.

If the put option is exercised, the price payable by MFQ Asia Limited to the Transferee will be equal to such amount which shall be no less than the total of:

(i) {RMB39,000 per Share} × {Total number of Shares then transferred} × {(1＋0.05 × N)}, and

(ii) amount of capital injected by the Transferee into the Company during the period starting from the Completion Date to the date of completion of the transfer of Shares upon the exercise of the put option.

and for the purpose of this formula, N = {number of days elapsed from the Completion Date to the said date of completion of transfer of the relevant Shares upon the put option being exercised} ÷ 365

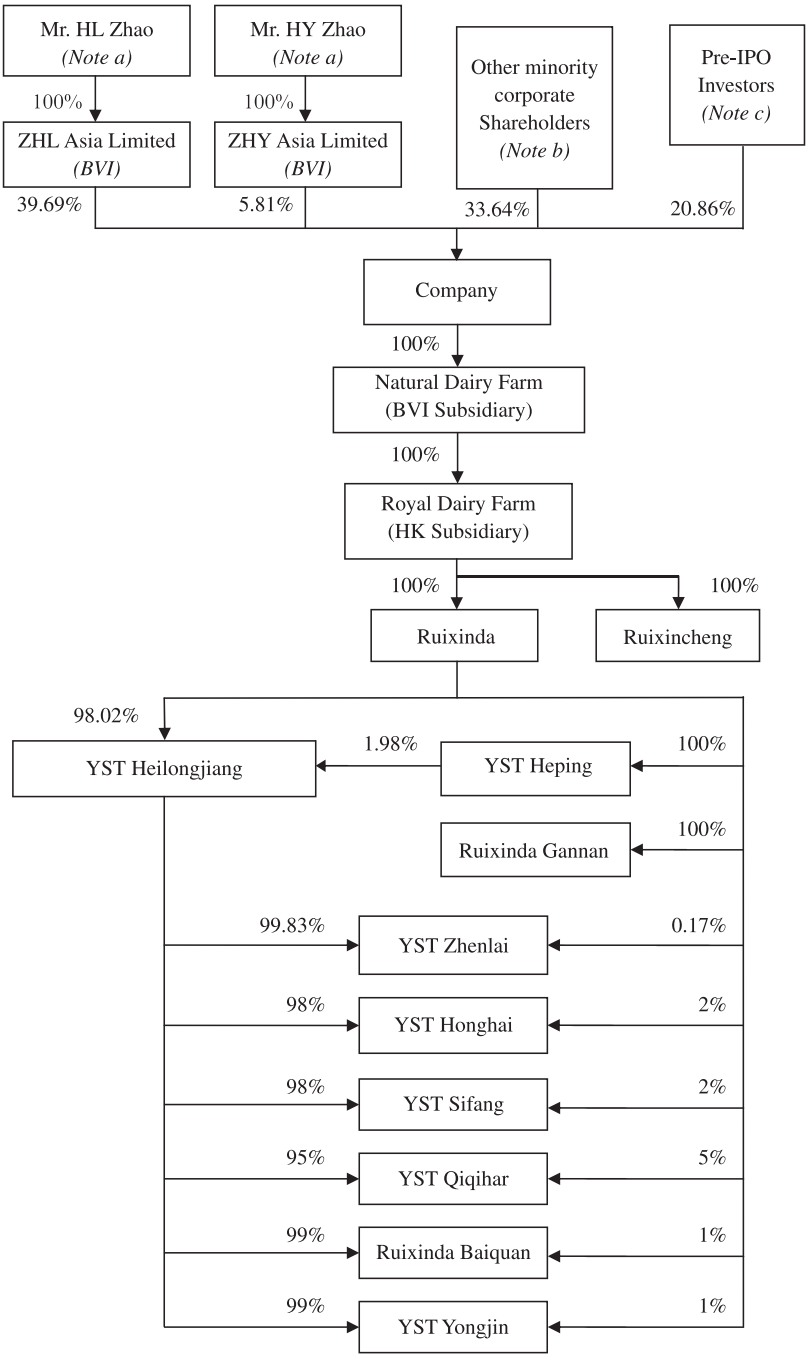
Tag-along Right: Mr. Meng Fanqing and MFQ Asia Limited have undertaken to each Transferee under the respective share purchase agreement that if Mr. HL Zhao or ZHL Asia Limited (''Relevant Shareholder'') intends to sell or transfer any of its Shares (whether held directly or indirectly) to any person upon the occurrence of the Triggering Event, Mr. Meng Fanqing and MFQ Asia Limited shall use all reasonable efforts to procure the Relevant Shareholder to consent to the Transferee to sell all the Shares then held by the Transferee on price and terms no less favorable than those offered by the intended buyer to the Relevant Shareholder.

Pursuant to the Minority Transfer Agreement, the above rights will be terminated upon Listing.

Our Directors confirm that the above transfers were entered into on normal commercial terms. The Joint Sponsors are of the view that the above transfers are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange.

CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganization and as of the Latest Practicable Date:



Notes:

a. Mr. HL Zhao and Mr. HY Zhao are brothers. ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed of acting in concert to, among others, confirm their acting-in-concert agreement. As such, as of the Latest Practicable Date, ZHL Asia Limited and ZHY Asia Limited together controlled approximately 45.5% interest in the issued share capital in the Company.

b. As of the Latest Practicable Date, these minority corporate Shareholders were:

Serial no.	Name of minority corporate holder of our Shares	Owner of the issued share capital in such corporate holder	Attributable percentage of holding of Shares (%)
1.	MFQ Asia Limited	Meng Fanching (孟凡慶)	3.99
2.	ZCH Asia Limited	Zhang Chaohui (張朝暉) (91.94%) Hu Yiyao (胡藝耀) (8.06%)	4.23
3.	YHW Asia Limited	Yang Hongwei (楊宏偉)	2.73
4.	SB Asia Limited	Sun Bo (孫博)	2.59
5.	Inno Technology (HK) Limited	Tang Xiaoyang (唐曉陽)	2.73
6.	Fine Time Holdings Limited	Liu Shuguang (劉曙光)	1.36
7.	Guo Xin Investments Limited	Xia Xinyu (夏鑫玉)	0.91
8.	ZDJ Asia Limited	Zhang Dijun (張迪軍)	1.09
9.	SM Asia Limited	Song Miao (宋淼)	0.96
10.	MLW Asia Limited	Mo Liwei (莫麗偉)	0.96
11.	SXY Asia Limited	Sun Xiaoyan (孫曉燕)	1.00
12.	XH Asia Limited	Xiong Han (熊瀚)	1.64
13.	HYY Asia Limited	Hu Yiyao (胡藝耀)	2.18
14.	ZSY Asia Limited	Zhao Siyuan (趙思源)	1.81
15.	XDH Asia Limited	Xie Dehe (解德河)	0.45
16.	SYL Asia Limited	Sun Yulong (孫玉龍)	0.42
17.	Precious View Investments Limited	Meng Xiaobin (孟曉斌) (70%) Ren Jie (任傑) (30%)	0.54
18.	Zhongchi Management Consulting Limited	Zhang Ye (張曄) (40%) Xu Qing (徐青) (20%) Yu Taifeng (俞太鋒) (20%) Zhou Zhigang (周志剛) (10%) Ren Hong (任宏) (10%)	1.36
19.	Maximum Shine Limited	Ma Liang (馬良)	1.05
20.	HQ-China Fund L.P.	—	1.64
		Total:	33.64

For brief details of the change in our Shareholders prior to Listing, please refer to "— Change in Registered/Issued Capital and/or Equity-holders of Members of our Group — Change in Issued Capital and/or Owners of the Company" in this section.

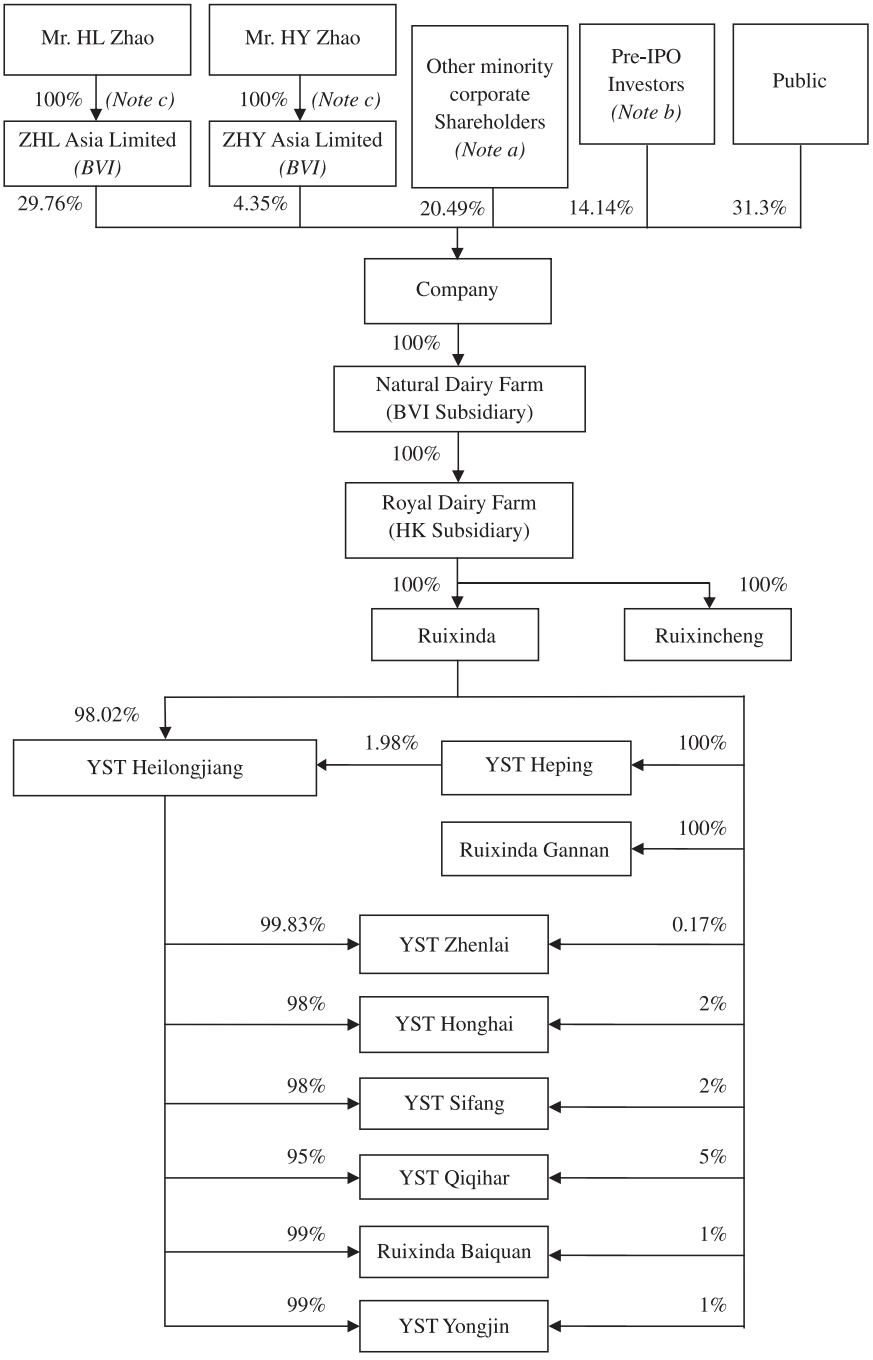
In respect of item no. 2 above of this note b, on 15 May 2013, Zhang Chaohui, the ultimate beneficial owner of ZCH Asia Limited, transferred 0.08065 shares of ZCH Asia Limited, representing approximately 8.06% of its issued share capital, to Hu Yiyao, being the ultimate beneficial owner of a minority corporate Shareholder, namely HYY Asia Limited (see item 13 of this note b), at a consideration of RMB9.9 million, which was determined with reference to the subscription price per Share by the Pre-IPO Investors under the Pre-IPO Subscription Agreements. Such consideration had been settled in full as of 4 December 2012. Immediately after the above transfer, Zhang Chaohui held 0.91935 shares of ZCH Asia Limited and Hu Yiyao held 0.08065 shares of ZCH Asia Limited, representing approximately 91.94% and 8.06% of its issued share capital, respectively.

Except for ZCH Asia Limited, Precious View Investments Limited and Zhongchi Management Consulting Limited (no. 2, 17 and 18 above), the entire issued share capital in each corporate Shareholder is owned by the individual person named in the third column. Each of individuals named in the third column is a PRC citizen.

Except for Inno Technology (HK) Limited (no. 5 above) which is incorporated in Hong Kong and HQ-China Fund L.P. (no. 20 above) which is a limited partnership registered in the Cayman Islands, each of the corporate Shareholders set forth in the second column above is incorporated in BVI.

c. These Pre-IPO Investors include Ares, OCBC and KNI. As of the Latest Practicable Date, these Pre-IPO Investors held 15,289 Shares. For further details, please refer to "— Pre-IPO Investments" in this section.

The following chart sets forth the shareholding and corporate structure of our Group immediately upon completion of the Global Offering (including the offer for sale of the Sale Shares by the Selling Shareholders) and the Capitalization Issue (assuming that the Over-allotment Option is not exercised):



Notes:

a. On such bases and assumptions as set forth in the sub-paragraph immediately preceding the above corporate chart, the number of Shares and percentage shareholdings attributable to such minority corporate Shareholders are:

Serial no.	Name of minority corporate holder of our Shares	Owner of the issued share capital in such corporate holder	Attributable percentage of holding of Shares (%) (assuming that the Over-allotment Option is not exercised at all)	Attributable percentage of holding of Shares (%) (assuming that the Over-allotment Option is exercised in full)
1.	MFQ Asia Limited	Meng Fanching (孟凡慶)	0	0
2.	ZCH Asia Limited	Zhang Chaohui (張朝暉) (91.94%) Hu Yiyao (胡藝耀) (8.06%)	3.17	3.17
3.	YHW Asia Limited	Yang Hongwei (楊宏偉)	1.14	0.59
4.	SB Asia Limited	Sun Bo (孫博)	1.09	0.56
5.	Inno Technology (HK) Limited	Tang Xiaoyang (唐曉陽)	2.05	2.05
6.	Fine Time Holdings Limited	Liu Shuguang (劉曙光)	1.02	1.02
7.	Guo Xin Investments Limited	Xia Xinyu (夏鑫玉)	0.68	0.68
8.	ZDJ Asia Limited	Zhang Dijun (張迪軍)	0.82	0.82
9.	SM Asia Limited	Song Miao (宋淼)	0.72	0.72
10.	MLW Asia Limited	Mo Liwei (莫麗偉)	0.72	0.72
11.	SXY Asia Limited	Sun Xiaoyan (孫曉燕)	0.75	0
12.	XH Asia Limited	Xiong Han (熊瀚)	1.23	1.23
13.	HYY Asia Limited	Hu Yiyao (胡藝耀)	1.64	1.64
14.	ZSY Asia Limited	Zhao Siyuan (趙思源)	1.36	0
15.	XDH Asia Limited	Xie Dehe (解德河)	0.34	0.34
16.	SYL Asia Limited	Sun Yulong (孫玉龍)	0.32	0.32
17.	Precious View Investments Limited	Meng Xiaobin (孟曉斌) (70%) Ren Jie (任傑) (30%)	0.41	0.41
18.	Zhongchi Management Consulting Limited	Zhang Ye (張曄) (40%) Xu Qing (徐青) (20%) Yu Taifeng (俞太鋒) (20%) Zhou Zhigang (周志剛) (10%) Ren Hong (任宏) (10%)	1.02	1.02
19.	Maximum Shine Limited	Ma Liang (馬良)	0.79	0.79
20.	HQ-China Fund L.P.	—	1.23	1.23
		Total:	20.49	17.30

For other details of these minority Shareholders, please refer to note b to the corporate chart immediately after the Reorganization and as of the Latest Practicable Date on page 139 of this Prospectus as illustrated above.

b. The number of Shares and percentage shareholdings attributable to the Pre-IPO Investors are:

Serial no.	Pre-IPO Investor	Attributable percentage of holding of Shares (%) (assuming that the Over-allotment Option is not exercised at all)	Attributable percentage of holding of Shares (%) (assuming that the Over-allotment Option is exercised in full)
1.	Ares	4.82	4.32
2.	OCBC	4.66	4.16
3.	KNI	4.66	4.16

c. Mr. HL Zhao and Mr. HY Zhao are brothers. ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed of acting in concert to, among others, confirm their acting-in-concert agreement. As such, immediately following completion of the Global Offering and the Capitalization Issue, ZHL Asia Limited and ZHY Asia Limited will together control approximately 34.12% interest in the issued share capital in the Company.

PRC REGULATORY REQUIREMENTS AND M&A RULES

Our PRC Legal Advisers have confirmed that all equity transfers, increases in registered capital and steps of the Reorganization in respect of the PRC companies in our Group as described above have obtained all necessary approvals, completed all registrations and the procedures involved are in accordance with the PRC laws and regulations.

Under Article 11 of the M&A Provisions, which were promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the SAIC and the SAFE and became effective on 8 September 2006, where a domestic natural person intends to takeover his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM. As advised by the Company's PRC Legal Advisers, as Mr. HL Zhao held permanent residence of Republic of Guinea-Bissau at the time of the acquisition of Ruixinda by Royal Dairy Farm, he was not a domestic natural person under Article 11 of the M&A Provisions. Therefore the acquisition did not constitute an acquisition under Article 11 of the M&A Provisions and shall not be subject to the approval of the MOFCOM. The Investment Promotion Bureau of Harbin City (哈爾濱市投資促進局), which is the competent commerce authority having the relevant approval power at provincial level, had the same view on the matter and approved such acquisition.

As advised by our PRC Legal Advisers, we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC Government authorities for the Reorganization and the Listing and we do not need to obtain approval from the MOFCOM and the CSRC.

This section discusses information regarding our operations and product. We commissioned Euromonitor International, an experienced consultant in the dairy sector, to prepare an industry report from which information and statistics have been included in this Prospectus. Unless otherwise indicated, information and statistics relating to the global and the PRC dairy sector in this and other sections of this Prospectus have been derived from the report prepared by Euromonitor International.

OVERVIEW

We are a leading dairy farming company in China in terms of herd size as well as in terms of production volume in 2012, and are dedicated to the production of super premium raw milk. Located in Heilongjiang and Jilin, China, our four dairy farms collectively raised 37,000 dairy cows and produced approximately 460 tonnes of raw milk per day as of 31 December 2012. The average annual milk yield per cow of all our farms was 8.9 tonnes in 2012, which is approximately 62% higher than the industry average. By leveraging our management expertise, we have been able to standardize our operating process, including breeding, feed management and designing comfortable living environments for our dairy cows. This has enabled us to consistently produce raw milk of a quality that surpasses the EU raw milk quality standard, which is among the highest industrial standards for raw milk and other dairy products in the world, and to sell our raw milk at premium prices. In 2012, the average selling price of our raw milk reached approximately RMB4,100 per tonne, approximately 25% higher than the average selling price of raw milk from major production regions in China. As of 30 June 2013, we had a total of 38,788 dairy cows. The average selling price of our raw milk reached approximately RMB4,527 per tonne for the six months ended 30 June 2013, an increase of 10.9% from the six months ended 30 June 2012.

As of 30 June 2013, all of the dairy farms that we owned and operated were located within the Songnen Plain, which is comprised of parts of Heilongjiang and Jilin, the two most northeastern provinces in China. The Songnen Plain is considered a primary agricultural region in China. The Songnen Plain is composed of abundant pastures and arable land, and has a significantly higher average farmland per person than the national average, which ensures stable feed supplies for our current operations and future expansion plans. In particular, the Songnen Plain is located in a temperate zone similar to the world's foremost dairy regions, such as Brittany, France and Hokkaido, Japan. Like these major dairy regions, the Songnen Plain has the dry weather and cool temperatures to make it suitable for raising high-quality dairy cows and producing premium raw milk.

Our dairy farms, each having an actual designed capacity ranging from 6,000 to 18,000 dairy cows, are among the largest dairy farms in China, and are designed and constructed to have modern layouts and automated equipment to ensure high milk yields and cost efficiency. We have implemented rationalized farm designs and layouts, standardized operating procedures, centralized management functions and automated information systems at all of our farms, enabling us to enjoy efficient management and low operating costs.

According to *Euromonitor International* and based on its trade interviews with industry experts and dairy farming companies, the raw milk we produce falls into the classification of super premium raw milk. The average microbe count and SCC of our raw milk are as low as 4K/ml and 162K/ml, respectively, while the average percentages of protein and fat of our raw milk are as high as 3.4% and 4.2%, respectively. As measured by such parameters, our raw milk is considered the safest and most

nutritious in China and therefore is in high demand among leading domestic dairy products manufacturers. During the Track Record Period, our top five customers were Yili Group, Mengniu Group, Feihe Dairy Group, Bright Dairy Group and Aibeite, a majority of which are leading dairy products manufacturers in China. Among these leading manufacturers, Mengniu Group and Feihe Dairy Group, two of China's top dairy brands, sourced our super premium raw milk primarily for the production of their high-end dairy products. For the year ended 31 December 2012 and the six months ended 30 June 2013, we generated RMB689.1 million and RMB385.1 million from sales of 168,070 tonnes and 85,079 tonnes of raw milk, respectively.

We enjoy wide recognition for our large operating scale and the premium quality of raw milk. Leveraging our leading position in the premium raw milk supply chain and the quality of our raw milk, we plan to partner with world-renowned dairy products manufacturers and dairy farm operators to expand our business, continue to build our brand and improve breeding technologies in China. For example, in June 2013, we entered into a non-legally binding memorandum of understanding with Select Services, a U.S. dairy products supplier and dairy farm operator, contemplating a joint collaboration arrangement with respect to certain aspects of our operations, including importing quality embryos into China, advancing heifer breeding techniques and know-how, licensing and adopting innovative milk processing and dispensing technologies, and designing and building dairy facilities, to improve our overall operating efficiency and profitability. We expect that this arrangement will bring us new business opportunities and future profit growth, while also enhancing our corporate image.

We experienced significant revenue growth during the Track Record Period. Our total sales volume increased from 95 tonnes in 2010 to 35,722 tonnes in 2011, and to 168,070 tonnes in 2012. Our total sales volume increased from 80,209 tonnes for the six months ended 30 June 2012 to 85,079 tonnes for the six months ended 30 June 2013. Our total revenue increased from RMB0.3 million in 2010 to RMB148.8 million in 2011, and to RMB689.1 million in 2012. Our total revenue increased from RMB327.4 million for the six months ended 30 June 2012 to RMB385.1 million for the six months ended 30 June 2013. Our gross profit increased from RMB113,000 in 2010 to RMB51.4 million in 2011, and to RMB260.5 million in 2012. Our gross profit increased from RMB127.3 million for the six months ended 30 June 2012 to RMB150.5 million for the six months ended 30 June 2013.

OUR COMPETITIVE STRENGTHS

We believe that our corporate culture is the core of our competitive strengths and our success. Since our inception, our philosophy has been to value cattle welfare as our first priority. We strive to maintain a harmonious environment among our human workforce and cattle stock, and are committed to promoting the health and welfare of our cattle ("人牛和諧"). We believe that the following strengths contribute to our leading position in China's dairy farming industry:

We produce raw milk of the highest quality in China.

According to *Euromonitor International*, our raw milk is of the highest quality in China's dairy market in terms of the safety standard and nutritional standard. Our advanced breeding, feeding and feed management, and herd management techniques, coupled with the location of our dairy farms and management philosophy, enable us to consistently produce raw milk that our customers and consumers can rely on. Our raw milk is utilized by a number of customers for the production of their high-end dairy products due to its super premium quality. We believe that our raw milk is well qualified for the

production of pasteurized milk, which requires the use of very safe and high-quality raw milk as its raw material because the pasteurization process does not involve sterilization. As a result, we are able to charge higher prices for our raw milk than most other dairy farming companies in China.

The quality of raw milk is assessed using four indicators that are commonly recognized in the industry, namely, microbe count and SCC to determine product safety, and fat content and protein content to determine nutritional value. According to *Euromonitor International*, the quality of our raw milk based on key milk quality indicators far exceeds the EU Standard and the China Standard. The table below sets forth the average key milk quality indicators of our raw milk compared to the average indicators of raw milk produced by the top ten dairy farming companies in China, as well as the key indicators under the China Standard and the EU Standard:

	Our Group[(1)]	Average among top ten dairy farming companies in China[(2)]	China Standard[(3)(4)]	EU Standard[(4)(5)]
Safety Standard				
Microbe count[(6)]	4K/ml	143K/ml	≤2,000K/ml	≤100K/ml
SCC[(6)]	162K/ml	370K/ml	N/A	≤400K/ml
Nutritional Standard				
Protein[(7)]	3.4%	3.2%	≥2.8%	N/A
Fat[(7)]	4.2%	3.8%	≥3.1%	N/A

Notes:

(1) Indicators according to our inspection report before delivery of raw milk in 2012.

(2) Calculated by averaging each of the four quality indicators of raw milk produced by the top ten dairy farming companies in China, including us, in terms of raw milk production volume in 2012 according to *Euromonitor International.* See "Industry Overview — Dairy Farming Industry in China — Competitive Landscape of the Dairy Farming Industry in China."

(3) As set forth in the National Food Safety Standard — Raw Milk published on 26 March 2010.

(4) Indicators for freshly milked raw milk and before treatment.

(5) As set forth in the Raw Milk Quality Standards in Council Directive 92/46/EEC of 16 June 1992 adopted in the EU.

(6) Microbe count and SCC are two of the major indicators used to determine safety quality of raw milk. Generally a lower SCC indicates better animal health, while a lower microbe count indicates improved sanitation. The China Standard does not impose a maximum SCC requirement.

(7) Fat content and protein content are two major indicators used to determine the nutritional value of raw milk. Generally a higher fat and protein content indicates higher quality. The EU Standard does not impose a minimum fat or protein requirement.

Sources: Ministry of Health of the PRC, EUR-Lex, a database of EU Law and Euromonitor International

The premium quality of our raw milk is partly attributable to the genetics and quality of our cows as well as the favorable climate where our farms are located. Our high-quality and healthy Holstein cows imported from Uruguay, New Zealand and Australia, in addition to our high-quality self-bred heifers, 100% of which are offspring of American and Canadian bulls and our imported cows, ensure the consistency of our raw milk quality. The cool, dry weather and clean air and water in the Songnen Plain,

where the farms are located, is conducive to raising healthy dairy cows and sourcing quality feed supplies. Our feed management system ensures stable and quality supplies of formulated feed to enhance the quality and yield of our raw milk. Our professional nutritionists formulate feed mixtures by selecting the appropriate types and amounts of imported and local feed ingredients in accordance with the nutritional requirements of cows at different stages of growth. We also maintain and continuously upgrade our comprehensive quality control system which we implement throughout the value chain from procurement to sales. By integrating our advanced production systems, such as the parallel milking system, with our comprehensive quality control and feed management systems, we are able to produce super premium raw milk, which we believe has enabled us to earn the trust and confidence of our customers.

We are able to charge a premium for our raw milk due to its quality. In 2012, the average selling price of our raw milk reached approximately RMB4,100 per tonne, which was approximately 25% higher than the average selling price of raw milk from major production regions in China. A number of customers, who are reputable dairy products manufacturers in China, use our raw milk for the production of their high-end dairy products, such as *Milk Deluxe* (特侖蘇) by Mengniu Group and *AstroBaby* (星飛帆) by Feihe Dairy Group. We are confident that the super premium quality of our raw milk will enable us to maintain our leading position in China's dairy farming industry.

Strategically located in Heilongjiang and Jilin, our farms benefit from favorable geographical conditions and supportive government policies.

As of 30 June 2013, all of the dairy farms that we owned and operated were located within the Songnen Plain, which is comprised of parts of Heilongjiang and Jilin, the two most northeastern provinces in China. Heilongjiang is one of the largest farming bases in China. Approximately 84% of its 473,000 km^2 area consists of agricultural land and its average farmland per person is three times the national average. Jilin is also one of China's major agricultural and dairy farming provinces and its average farmland per person is twice the national average. For the past decade, Jilin has consistently ranked as one of the top three provinces in terms of corn production in China. We chose to construct and operate our dairy farms in the Songnen Plain because it is generally considered a primary agricultural region in China and comprises abundant arable land, which ensures stable and quality feed supplies for our current operations and future expansion plans. As the quality and yield of milk produced by a dairy cow are largely determined by the nutritional composition of its diet, stable supplies of quality feed are critical to our operations. For example, at our three farms located in Heilongjiang, which has the most cultivated land in China, we are able to provide each cow with approximately three mu of corn silage reserve. We source feed products mostly from carefully selected feed suppliers located within proximity to our farms, allowing us to secure stable supplies of quality feed all year round. We also procure our forage supplies from local suppliers who grow the crop according to our specifications to ensure consistent feed quality and quantity. Abundant land resources in the Songnen Plain enable us to provide our cows with a comfortable living environment and facilitate our plans to build new farms. The availability of abundant land near our farms also facilitates our waste management and lowers the costs of waste disposal.

The Songnen Plain is located in the temperate zone similar to the world's foremost dairy regions, such as Brittany, France and Hokkaido, Japan. Like these major dairy regions, the Songnen Plain has the dry weather and cool temperatures to make it suitable for raising dairy cows and producing premium

raw milk. The relatively cold temperatures also inhibit the growth of micro-organisms, which helps us to control the quality of feed products and raw milk, facilitate disease control and prevention, and process cow waste in an environmentally friendly manner.

Due in part to the strategic locations of our farms, we enjoy strong support from the central and provincial governments of Heilongjiang and Jilin in the form of beneficial tax treatment, which is granted to us as part of a policy to improve milk safety and quality standards through the development of large-scale dairy farming businesses. In addition, we were involved in the *Heilongjiang Thousands of Millions Milk Strategic Plan (2008–2012)*（黑龍江省千萬噸奶戰略工程規劃 (2008–2012)), an initiative to help the Heilongjiang government meet targeted numbers of dairy cows and raw milk production volumes during that period. In turn, our business operations have benefited from the Heilongjiang government's support in the form of land grants for our farms, loans with interest rebates and extended government subsidies. We believe that we will continue to enjoy significant benefits with respect to government grants, tax and financing.

We are a leading dairy farming company in China in terms of herd size and, by leveraging our management expertise, we are able to operate mega-scale dairy farms with high milk yield and enjoy economies of scale.

Development of large-scale dairy farms is critical to China's dairy farming industry and supported by the PRC Government because China's dairy farming industry is highly fragmented, comprising numerous small-scale dairy farms, which occasionally result in food safety and quality concerns. Large-scale dairy farms, especially the mega-scale dairy farms, are able to adopt standardized operating procedures, centralized management functions, automated information systems and rationalized farm designs and layouts so as to raise the safety and quality of dairy products across China's dairy sector.

Establishing a mega-scale dairy farm requires substantial capital and technical investments, abundant land and other resources, certain weather and temperature conditions, management's experience, as well as government support. With such relatively high entry barriers, more than 99.9% of dairy farms in China are individual, small- and mid-scale farms raising fewer than 1,000 dairy cows, according to *Euromonitor International*. Located in Heilongjiang and Jilin, we enjoy abundant land, temperate weather and strong government support, and are able to construct and operate mega-scale dairy farms. As a leading dairy farming company in China in terms of herd size, we owned and operated four large-scale dairy farms, including two mega-scale farms, raising a total of 38,788 dairy cows as of 30 June 2013. Each of our farms is among the largest dairy farms in China, and is designed and constructed to have modern layouts as well as automated and standardized equipment to ensure high milk yields, consistent quality of raw milk, product safety and cost efficiency.

We conduct our business pursuant to standardized operating procedures which can be replicated on our future farms, including establishing free stall farms, transferring heifers from mature farms, feeding, breeding, calving, milking, delivery, culling and waste management. We have implemented strict quality and disease control systems and installed Dairy Star to better manage our herd and overall operations. In addition, our management team considers all of our dairy farms when making business judgments and our procurement department makes centralized purchases of feed, bull semen and medicines for all of our farms. The abundant resources in the regions where our farms are located and the management

expertise of our Directors and management enable us to operate large-scale dairy farms, especially mega-scale dairy farms, in a cost efficient manner. With our standardized operating procedures, we are also able to quickly train personnel required for our future expansion.

Due to the standardized operating procedures on our large-scale farms and management expertise utilized to operate such farms, our average annual milk yield per cow was 8.9 tonnes in 2012, while the industry average annual milk yield per cow in China was 5.5 tonnes in the same year. Milk yield is affected by a number of factors, including a cow's breed, genetics, living environment and feed. In order to increase our milk yield, we first procure the semen of selected Holstein bulls from international suppliers either directly or through third-party domestic trading companies. We believe this optimizes the genetic mix of our self-bred cows. With stable supplies of quality feed from overseas feed suppliers through either third-party domestic trading companies or agents, and local suppliers, we select and formulate the optimal type and combination of feed for our cows. As part of our commitment to responsible cattle health and welfare practices, we have equipped our dairy farms with free stall ventilated barns and designed our facilities to suit the local climate.

With the scale of our farms, our management philosophy and our ability to expand, we believe that we are well positioned to capitalize on the continued growth of China's high-end dairy market.

We have established solid and stable customer relationships with certain top dairy companies in China.

We have developed and maintained solid and stable relationships with our key customers. We have continued to supply raw milk to each of our customers from the time of each respective customer's initial purchase from us. We believe that our customers have selected us as their preferred supplier because we have consistently supplied them with raw milk of premium quality that they can trust. Most of our customers' processing facilities are located in close proximity to our dairy farms, which enables us to deliver our freshly produced raw milk in a timely, cost-efficient, and direct manner, thereby shortening delivery times and minimizing the risk of raw milk contamination during transportation. During the Track Record Period, Mengniu Group and Feihe Dairy Group, two of China's top dairy brands, sourced our super premium raw milk primarily for the production of their high-end dairy products. Our sales to Mengniu Group, Yili Group and Bright Dairy Group, the three largest dairy products manufacturers in China with an aggregate market share of 21.8% in 2012, increased from 23,001 tonnes in aggregate in 2011 to 122,435 tonnes in aggregate in 2012, accounting for 64.4% and 72.8%, respectively, of our total sales volume in 2011 and 2012. Our sales volume to these three customers increased from 55,177 tonnes for the six months ended 30 June 2012 to 56,250 tonnes for the six months ended 30 June 2013, accounting for 68.8% and 66.1% of our total sales volume, respectively.

In recent years, consumers in China have become increasingly aware of the health benefits of drinking milk. As a result, and combined with the effect of urbanization, rising income levels, dairy products, most notably liquid milk, have become a core part of the daily diets of many consumers. Several leading dairy products companies in China have focused on introducing high-end dairy products to take advantage of this trend. Moreover, in the wake of the melamine incident in 2008, these companies have focused on securing reliable and high-quality raw milk supplies for their high-end dairy products. Because the quality of our raw milk has continued to meet or surpass the strict requirements of leading dairy products manufacturers in China, certain leading dairy products manufacturers had been

sourcing our raw milk during the Track Record Period. Demand from these customers of super premium raw milk greatly exceeded our supplies. All of our customers have expressed their intention to continue procuring their raw milk supplies from us.

In addition, the government's efforts to raise the safety and quality of dairy products through the development of the high-end segment of dairy products industry have created significant growth opportunities for large-scale raw milk producers like us. We believe that we are able to leverage our established relationships with leading dairy brands to strengthen our competitiveness. Since we are one of very few producers of super premium raw milk operating large-scale dairy farms in China, we believe that we will continue to be the supplier of choice for these leading dairy brands.

Our capable management team and experienced personnel have extensive industry experience that ensures the successful development of our business.

We are led by a capable management team with extensive industry expertise. Our executive management team includes Mr. Wang Shaogang and Mr. Fu Wenguo, each of whom has over 15 years of experience in the dairy and dairy farming industry. Leveraging both their foresight and in-depth industry knowledge, our management team is able to formulate sound business strategies, assess and manage risks, anticipate changes in consumer preferences, and capture significant market opportunities. For example, although we commenced commercial sales of raw milk in 2010, we have grown rapidly to become one of very few large-scale producers of super premium raw milk in China. In addition, our Directors and senior management have played a key role in instilling and fostering a distinct corporate culture that promotes responsibility, achievement and innovation, which in turn ensures the delivery of consistent and quality raw milk.

Our Directors and senior management value cattle welfare as our first priority. We seek to maintain a harmonious environment among our human workforce and cattle stock, and are committed to promoting the health and welfare of our cattle to ensure high-quality raw milk. We also have highly experienced personnel who bring their knowledge and expertise to our farm operations. For example, our nutrition specialists are experienced in the field of animal nutrition, and our operating team comprises members who have considerable experience working on large-scale dairy farms. We believe that our Directors and senior management members possess the leadership, commitment and qualifications, and our professional team and experts have the experience and knowledge, to sustain our business and ensure our continued growth.

OUR BUSINESS STRATEGIES

Our principal business objective is to maintain and further strengthen our position in China as a leading dairy farming company. Key strategies for reaching our goal are as follows:

Expand our business scale through the replication of our business model in strategic locations

As we expect demand for high-quality milk to continue to grow rapidly, we plan to build additional large-scale dairy farms in the Songnen Plain where our existing farms are located. We plan to continue developing and employing comprehensive, modern and scientific breeding and feeding techniques and know-how at our future farms. With our access to abundant land and other natural resources as well as government support, we plan to build five additional farms in the Songnen Plain within the next three years, including one farm for educational tours, one farm dedicated to raising

reserve cows and three farms for commercial production, and aim to attain a total herd size of approximately 100,000 dairy cows by 2017. We seek to replicate our business model of operating mega-scale dairy farms at our future farms, which we expect will each have a capacity ranging from 12,000 to 15,000 dairy cows, with the exception of our new farm for educational tours. We believe that, in addition to increasing our milk production and sales volumes, the expansion of our business scale will enable us to increase our operating efficiency, optimize our systematic farm management and control our operating costs to achieve further economies of scale.

We plan to continuously standardize our farm operations by implementing uniform farm designs and layouts, systematic operating procedures, centralized management functions and automated information systems throughout our existing farms as well as our future farms. With our expertise in operating large-scale free stall dairy farms in China and the application of modern and scientific practices as well as strict quality control standards, our replicable business model and management experience will enable us to operate our farms in a more efficient and reliable way. Partly due to the strategic locations of our farms, we have benefited from favorable government policies and enjoyed government support, particularly in Heilongjiang. We believe that supportive government policies, especially in obtaining land resources and supportive financing, will shorten the preparation period, expedite the approval process and ease our burden on the capital required for our business expansion.

Enhance our brand recognition in China's dairy sector by developing downstream distribution channels and penetrating the high-end dairy products market

While focusing on the expansion of our dairy farming operations, we plan to develop strategic relationships with internationally renowned brands and leaders in the dairy sector to expand downstream into China's high-end dairy products market. For example, we entered into a non-legally binding memorandum of understanding in June 2013 with Select Services, a U.S. dairy products supplier. Select Services was formed by Select Milk Producers, Inc., a leading U.S. dairy cooperative, to address the increasing global focus on food security by leveraging the proven dairy design, construction, operations, and management practices that the cooperative members of Select Milk Producers, Inc. have developed on their own dairy farms and processing plants. We plan to utilize patented milk processing and dispensing technologies to produce high-end milk concentrate products processed from our own raw milk and marketed under a brand co-established with Select Services. Our primary target customers for these milk concentrate products will be international food and beverage chains located in China. We believe that, by leveraging Select Services' experience in branding and developing dairy products and utilizing nationwide distribution channels, we will be able to gain market recognition for these high-end dairy products as well as enhance our reputation for producing super premium raw milk. In the longer term, we also plan to produce high-end dairy products under our own brand to cater to the growing consumer demand for safe and high-quality dairy products. We believe that consumer confidence in the quality of our raw milk will contribute significantly to the success of our downstream expansion which will in turn enable us to broaden our consumer base and promote the growth of our sales and business. As of the Latest Practicable Date, we did not have any concrete plans for the downstream expansion of our business.

Enhance our feeding, breeding and production technologies to maximize our production efficiency

We believe that, by integrating and implementing innovative technologies in our feeding and breeding programs, we will be able to fine tune our feed mixtures and enhance our herd quality to further increase average milk yields. To fine tune our feed mixture, we plan to work closely with other market leaders to optimize our feed formulas. For example, by leveraging our relationship with Select Services, we intend to adopt advanced feeding techniques that have been employed on farms operated by Select Services and its affiliated dairy farm operators. We will also strengthen our business relationships with suppliers to ensure our access to higher quality ingredients for our feed formulas. To enhance the quality of our herd, we will work with international suppliers to select the semen of Holstein bulls that have a proven track record of producing offspring with higher milk yields. We also seek to team with bull semen suppliers to integrate innovative biological technologies and advanced sex control techniques into our breeding programs, which we believe will improve the genes of future generations and further increase milk yields. Moreover, we plan to work with Select Services or its affiliates to facilitate our access to technical support in the breeding and supply of high-quality embryos. We believe that utilizing industry leading technologies will enable us to more cost-effectively realize higher milk yields of premium quality raw milk, thereby maximizing our overall production efficiency.

In addition, we plan to build a new testing center where we will be able to work closely with other market leaders and our suppliers to further strengthen our quality control and product safety programs. In order to facilitate these technological advancements, we intend to enhance our in-house research and testing capabilities, purchase advanced equipment, and hire additional research and testing personnel in the next three years.

Diversify our revenue stream by expanding our business to encompass upstream operations

We believe that we will be able to become an integrated operator in China's dairy farming industry by leveraging our strategic location, management expertise and experience in the dairy farming industry. We plan to enhance the health of our cattle and the quality of our raw milk by exercising increased control over our supplies. To that end, we intend to expand our business to encompass upstream operations, including the production and sale of feed and organic fertilizers by developing our own feed farms and through strategic cooperative arrangements with local farmers in neighboring regions. For example, we plan to cooperate with Dinghe Group to develop business of feed production. We believe such cooperation will reduce our relevant operation costs by utilizing Dinghe Group's experience in feed farming business. We believe that extending our business operations to include feed farming will help to ensure stable supplies of quality feed for our operations.

To promote our own self-sufficiency and the environmental sustainability of our operations, we also plan to recycle a portion of the processed waste from our operations through our recycling systems to produce fertilizers. We plan to enrich our own feed planting fields with these fertilizers and to sell any excess quantities to local farmers who supply us with feed. We believe that this waste treatment and recycling process will help us and local farmers to minimize the amount of commercial fertilizers purchased externally, reduce the impact of our operations on the environment and lower our operating costs.

As of the Latest Practicable Date, we did not have a definitive timetable set for commencing our upstream operations.

OUR PRODUCT

We are dedicated to the production of premium quality raw milk from dairy cows at our dairy farms. We commenced commercial sales in October 2010. We sell raw milk to some leading dairy products manufacturers in China, a number of which process it for the downstream production of high-end dairy products. Our raw milk has average microbe count and SCC of as low as 4K/ml and 162K/ml, which is at a significantly higher safety level compared to the China Standard. Our raw milk also surpasses the EU Standard, which is among the highest industrial standards for raw milk and other dairy products in the world. Additionally, our raw milk is of high nutritional value, with average protein content and fat content as high as 3.4% and 4.2%, respectively.

As part of our quality control measures, we submit our raw milk to the livestock breeding guidance center in Heilongjiang, a center directly affiliated with the Livestock Husbandry and Veterinary Bureau of Heilongjiang, which is a government entity, to inspect the quality of our raw milk. The table below sets forth the key milk quality indicators of our raw milk at each dairy farm according to the inspection reports in April 2013:

	Gannan Oumei Farm	Kedong Oumei Farm	Kedong YST Farm	Zhenlai Farm Phase I
Safety Standard				
Microbe count	2.3 K/ml	2.1 K/ml	2.6 K/ml	3.1 K/ml
SCC	119 K/ml	126 K/ml	143 K/ml	164 K/ml
Nutritional Standard				
Protein	3.8%	3.6%	3.5%	3.4%
Fat	4.8%	4.5%	4.3%	4.3%

We had a high raw milk yield of approximately 460 tonnes per day as of 31 December 2012. Our sales volume of raw milk was 95 tonnes, 35,722 tonnes, 168,070 tonnes, 80,209 tonnes and 85,079 tonnes for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We were able to sell our raw milk at an average selling price of approximately RMB4,100 per tonne in 2012, which was approximately 25% higher than the average selling price of raw milk from major production regions in China, due to its high quality. Our revenue from sales of raw milk was RMB0.3 million, RMB148.8 million, RMB689.1 million, RMB327.4 million and RMB385.1 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

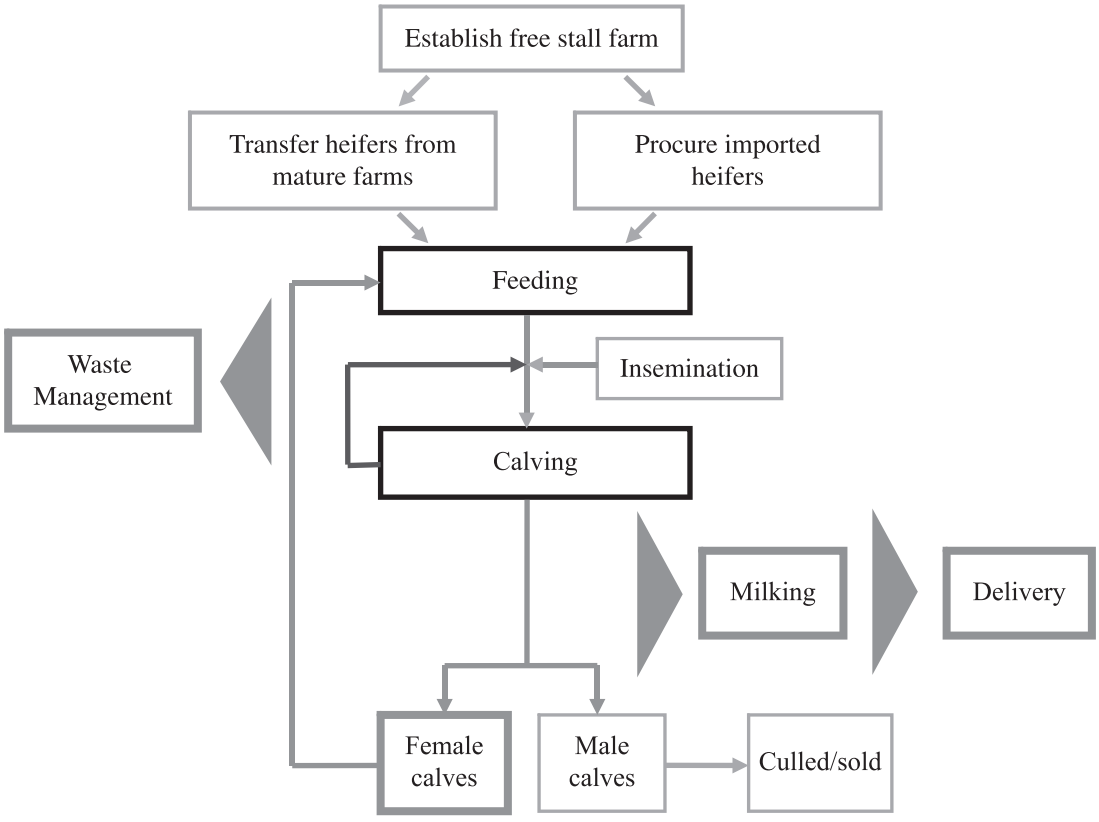
OUR BUSINESS OPERATION

Overview

We are a leading dairy farming company in China in terms of herd size as well as in terms of production volume in 2012, and are dedicated to the production of super premium raw milk. We sell super premium raw milk to our customers for downstream processing of dairy products. A number of customers purchase our super premium raw milk for the production of their high-end dairy products.

Our dairy cows are fed with customized feed mixture. We operate large-scale industrialized free stall dairy farms typically with an actual designed capacity ranging from 6,000 to 18,000 dairy cows per farm. As a result of our economies of scale, superior breeding technologies, scientific feed processing and management, automated milking systems and strict quality control, we are able to produce raw milk of a higher yield and higher quality than other large-scale dairy farms.

All of our dairy farms have a standardized design and follow established management procedures. The following diagram is a simplified illustration of our business model:



Establish Free Stall Farm

All of our farms are constructed using the free stall design. Our well-designed and properly-constructed free stall farms lower our construction and maintenance costs, facilitate herd management and provide our dairy cows with comfortable, safe and stress-free living environments. The free stall design enhances cattle welfare because it allows the cows ample room for unrestrained movement and enables them to feed and exercise at will.

Procure Imported Heifers

Historically, we procured Holstein heifers aged at six to 16 months which were imported from Uruguay, New Zealand and Australia. From March 2011 up to the Latest Practicable Date, we did not procure any imported heifers because we were able to sustain the operations at all of our farms using our self-bred heifers during this period.

Transfer Heifers from Mature Farms

As part of our strategy for achieving self-sustainability, we breed our own heifers at our farms. We maintain our self-bred heifers at mature farms, and transfer them to new farms after construction of the essential facilities at such new farms is completed.

Feeding

Feeding is an important aspect of the dairy farm operations because of its direct impact on raw milk production, animal health and reproduction. Our procurement department is responsible for selecting suitable feed suppliers, purchasing feed and coordinating with our quality control personnel to ensure that the delivered feed meets our specifications and requirements. We have standardized feeding procedures for all farms to make sure that all of our cows are always fed the same way. Our feed is freshly prepared, formulated and delivered to the cows three times each day, and is pushed up the feed mangers so that cows can eat frequently and maximize their feed intake. Additionally, we have adopted the "grouping strategies" feeding method at all of our farms to ensure that our milkable cows at different stages of growth receive a balanced diet according to their physical condition. We divide our milkable cows into five groups, namely, cows that are expected to give birth in 21 days, cows that have just given birth for the first time, the high-yield milking cows, the low-yield milking cows and the cows that are undergoing the 60-day dry period. Our team of professional nutritionists customizes a feeding formula for each of these groups of dairy cows. Furthermore, we have adopted the total mixed ration, or TMR, feeding method, by which we can weigh and blend all feed ingredients into a complete ration to ensure that our dairy cows receive adequate nourishment, including energy, protein, minerals and vitamins.

Breeding

Insemination

Breeding is important for reproduction, as well as for the quality and yield of raw milk. When Holstein heifers reach approximately 13 months old, they reach a suitable age for insemination. We inseminate the mature heifers and suitable milking cows with the semen of selected Holstein bulls from Canada and the United States, to improve the genes of future generations and to further increase milk yield. We also use sex-controlled semen for mature heifers in order to achieve significantly higher female birth rates, which will enable us to more aggressively grow the herd. All of our four farms are equipped with an automated activity monitoring system, an advanced heat detection technology that enables us to determine the best time to inseminate our cows. Additionally, the breeding technicians at our farms are trained to follow strict semen handling procedures and artificial insemination techniques. Such procedures and techniques enable us to increase the accuracy of heat detection in order to maximum the chance of pregnancy.

Calving

After a pregnancy term of approximately nine months, a heifer will give birth to a calf and, now a milkable cow, will begin to produce raw milk. The cow is inseminated again approximately 55 days following the birth of the calf. We sell all male calves and raise a majority of the female calves until they reach a suitable age for insemination and the cycle described above is repeated. A dairy cow is generally raised for a total of eight to nine years during which it typically gives birth to up to six calves.

Milking

Milking is an important production process for dairy farms. Improper milking procedures or poor milking equipment may lead to the infection of udders, high levels of microbe count and SCC, thereby adversely affecting the milk yield per cow and the safety and quality of raw milk. Good milking practices enable cows to be milked effectively and in a timely manner. We use standard milking procedures at all of our dairy farms. We carry out the extraction of raw milk in an automated and sanitary environment to ensure milk safety and quality. At our dairy farms, disinfectants are used both before and after milking to protect the cows from infection. Our raw milk is cooled immediately after it is milked from dairy cows and flows through a series of pipes to our central milk tank, which we maintain at 4°C. The raw milk is stored in the central milk tank for less than 24 hours before it is delivered to our customers.

Delivery

Most of our customers' processing facilities are located within close proximity to our dairy farms, which enables us to deliver our raw milk in a timely manner to ensure its safety and quality. One of our customers, Aibeite, arranges for its own transportation of the raw milk they purchase from us. For other customers, we engage third-party logistics providers to deliver our raw milk directly to our customers.

Waste Management

Waste management is critical to the daily operations of large-scale dairy farms and to environmental protection. The main waste produced on our dairy farms is cow manure. We have installed cow waste treatment facilities to treat the cow manure at all of our farms. Except for Zhenlai Farm Phase I, all of our dairy farms are equipped with power generation systems, which are currently in trial operation. The waste produced at these three farms is collected and processed through the power generation systems into biogas, which is in turn used to generate electricity. The remaining waste at these three farms and the waste produced at our Zhenlai Farm Phase I is recycled through the recycling systems for conversion into fertilizers, which is then hauled off to local suppliers who we have contracted to grow corn silage for our feed supplies.

Culling

We have adopted culling as part of our herd management practices to maintain the high quality and yield of raw milk produced by our herd. Female calves that are deemed unfit by our breeding and veterinary specialists are culled and either treated in accordance with our disease control protocols or sold. Our veterinary and breeding specialists monitor the health conditions of our dairy cows twice per day and grade the body condition of our dairy cows every month. The mature milkable cows will be culled and sold when they are no longer able to give birth to calves. The number of dairy cows that were culled was 257, 971, 4,930 and 2,050 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Our culling program complements our controlled breeding efforts to continuously enhance the genetic quality, reproductive fitness and production yields of our herd over time.

OUR DAIRY FARMS

Overview

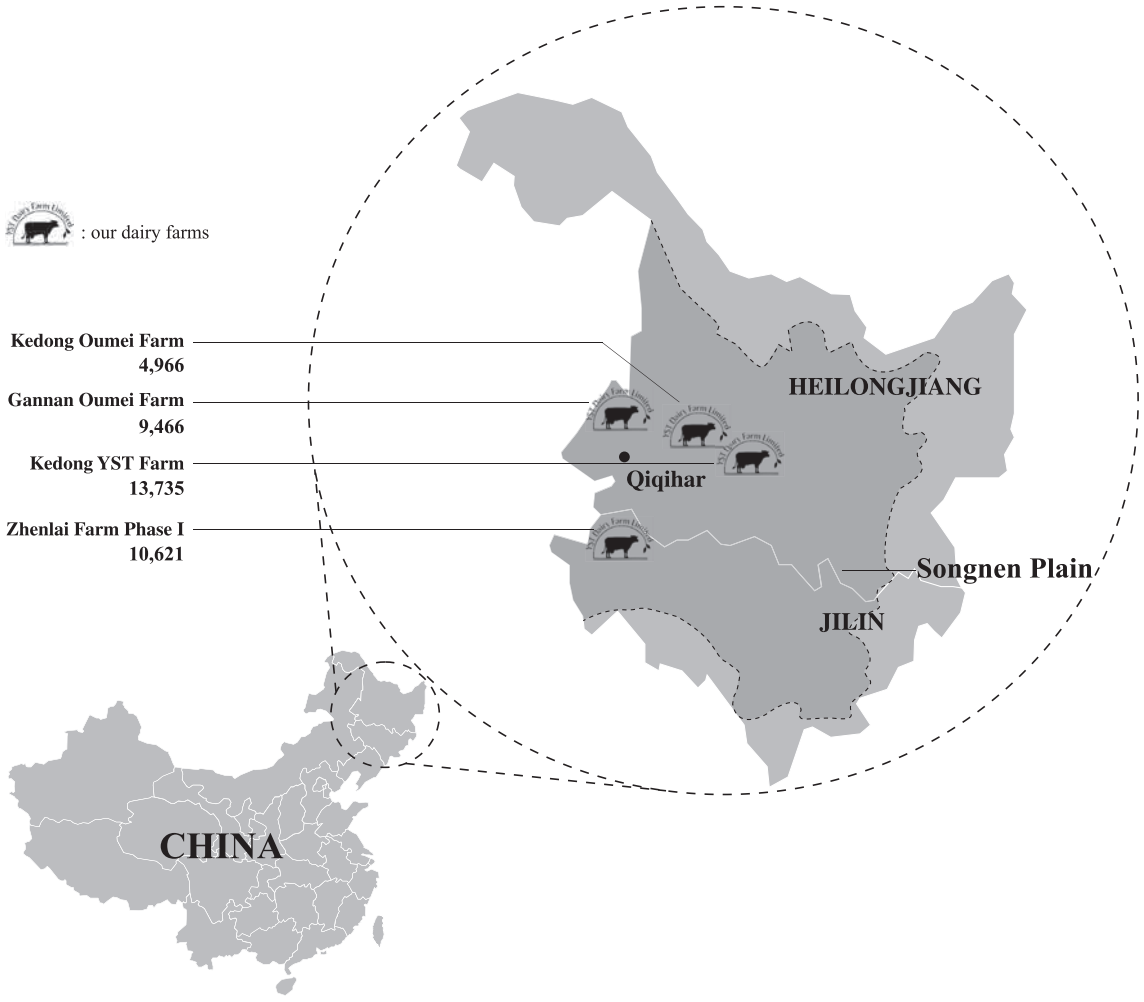
As of 30 June 2013, we operated four dairy farms with an aggregate gross land area of approximately 3,220,667 sq.m. We commenced commercial sales at our Kedong YST Farm and Zhenlai Farm Phase I in 2010 and 2011, respectively, and acquired Gannan Oumei Farm and Kedong Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan in 2011. See "History, Development and Reorganization — Our Relationship with Feihe Dairy Group." As of the Latest Practicable Date, we had three farms in Heilongjiang Province and one farm in Jilin Province, each of which had an actual designed capacity ranging from 6,000 to 18,000 dairy cows.

We decided to construct and operate our dairy farms in the Songnen Plain, an alluvial plain formed by Songhua River (松花江) and Nen River (嫩江) and situated across the southwestern part of Heilongjiang and northwestern part of Jilin. The total area of the Songnen Plain is approximately 180,000 km^2. Due to its fertile black soil and abundant farming lands, the Songnen Plain has long been one of China's major agricultural regions for the production of feeds, corn, wheat, sorghum and other crops, which ensures stable and quality feed supplies for our current operation and future expansion. The Songnen Plain is located in the temperate zone and has average temperatures that range from 2°C to 6°C, similar to the world's foremost dairy regions, such as Brittany, France and Hokkaido, Japan. Like these major dairy regions, the dry weather and cool temperatures of the Songnen Plain make it suitable for raising dairy cows and producing premium raw milk. The relatively cold temperatures also inhibit the growth of micro-organisms, allowing us to control the quality of feed products and raw milk.

Heilongjiang is one of the largest farming bases in China. Approximately 84% of its 473,000 km^2 area consists of agricultural land and the average farmland per person is three times the national average. Both its total farmland area and the reserved land resources account for one-tenth or more of the nation's total. According to the data published on the website of *Heilongjiang Provincial Bureau of Statistics*, Heilongjiang ranked No. 1 in terms of farmland and forest area, No. 2 in terms of land reserved for farming, No. 4 in terms of land to be developed and No. 7 in terms of area of pastures.

Jilin is also one of the largest farming bases in China. Approximately 86% of its 187,400 km^2 area consists of agricultural land. Jilin ranked ninth in China in terms of farmland, and Jilin's average farmland per person is twice the national average. Furthermore, Jilin has a 11,000 km^2 area consisting of black soil, which is highly favored by China's corn plantation industry. For the past decade, Jilin has consistently ranked as one of the top three provinces in terms of corn production in China.

Most of our customers' processing facilities are located in close proximity to our dairy farms. The following map sets forth the locations and the number of dairy cows of our four farms as of 30 June 2013:



The following table sets forth details of our four farms as of 30 June 2013 on an aggregated basis:

	Our four farms
Background data:	
Breed of herd	Holstein dairy cow
Method of farming	Free stall
Land size	3,220,667 sq.m.
Herd size	38,788
Average milk yield per cow for the six months ended 30 June 2013	8.6 tonnes
Average age of dairy cows	33.8 months
Imported/self-bred ratio[(1)]	55.6%
Average number of lactation cycles of milkable cows	2.07

Note:

(1) The imported/self-bred ratio applies to our dairy cows and 100% of our self-bred dairy cows are the offspring of either American or Canadian bulls and our imported heifers. For more information, see "— Our Dairy Cows."

Summary Information for Our Four Farms

All of our farms have been accredited China Good Agricultural Practice, or China GAP, Certification since 2012. China GAP is based on the control points and compliance criteria of Euro Good Agricultural Practice, characterized by Chinese agricultural growing and breeding standards. China GAP standards were established to promote a reduction in the use of chemicals and medicines in agriculture, preserve agricultural sustainable development, ensure a set of criteria for safe production of primary agricultural products, and increase consumer confidence in food quality and safety. Products with China GAP Certification are much more acceptable and competitive in domestic and overseas markets.

The following table sets forth the details of our existing farms as of 30 June 2013:

	Gannan Oumei Farm	Kedong Oumei Farm	Kedong YST Farm	Zhenlai Farm Phase I	Total
Location (province)	Heilongjiang	Heilongjiang	Heilongjiang	Jilin	N/A
Commencement of construction	2007	2007	2009	2010	N/A
Year of acquisition	2011	2011	N/A	N/A	N/A
Commencement of commercial production	November 2008	November 2008	October 2010	July 2011	N/A
Area (sq.m.)	986,333	384,000	784,000	1,066,667	3,221,000
Actual designed capacity (number of dairy cows)[(1)]	12,000	6,000	18,000	15,000	51,000
Operational scale	Large-scale[(2)]	Large-scale[(2)]	Mega-scale[(3)]	Mega-scale[(3)]	N/A
Number of milkable cows	5,909	3,565	7,408	4,003	20,885
Number of female calves and heifers	3,557	1,401	6,327	6,618	17,903
Spare capacity (number of dairy cows)[(2)]	2,534	1,034	4,265	4,379	12,212

Notes:

(1) The actual designed capacity is based on our farm design plan, confirmed by the construction contractor.

(2) A large-scale dairy farm refers to a farm with 1,000 heads and more.

(3) A mega-scale dairy farm refers to a farm with 10,000 heads and more.

(4) Representing the actual designed capacity deducted by the total number of dairy cows at our farms. We will maintain our self-bred heifers at our existing dairy farms, and transfer them to new farms after construction of the essential facilities at the new farms is completed.

The construction of a standard dairy farm takes approximately two years. We maintain our self-bred heifers at mature farms, and transfer them to new farms after construction of the essential facilities at such new farms is completed. After the heifers become milkable cows, which typically takes approximately nine to 15 months, the newly established farm is ready to commence commercial production. The average payback period of a farm is generally six years from the commencement of its construction, or five years if we transfer the cows from mature farms to the new farm. The cash breakeven point of a farm generally occurs in the fourth year from the commencement of its construction.

Expansion Plan of Our New Dairy Farms

We intend to continue to grow our business through building new farms to increase our overall production capacity and increase our gross margin due to economies of scale. We plan to build five additional farms in the Songnen Plain within the next three years, including one farm for educational tours, one farm dedicated to raising reserve cows and three farms for commercial production. We expect each farm to have a capacity ranging from 12,000 to 15,000 dairy cows, with the exception of our new farm for educational tours, and aim to increase our total herd size to approximately 100,000 dairy cows by 2017. In this regard, we have already acquired land for one of these new farms and are seeking to acquire land for the remaining farms. In addition, we are in the process of obtaining the requisite licenses and permits for Tiefeng Farm, Baiquan Farm and Kedong Yongjin Farm, and will obtain the licenses and permits for Honghai Farm and Sifang Farm in 2014. We expect these new farms to be located in Heilongjiang. We will adopt the same safety standards at our future farms and expect our raw milk yields at these farms to be at similar levels.

As of 30 June 2013, we did not incur any capital expenditure for these new farms. According to our current plan, for the years ending 31 December 2013, 2014 and 2015, we expect to incur capital expenditures of approximately RMB88 million, RMB729 million and RMB564 million, respectively, for the new farms. The projected capital expenditures for Tiefeng Farm, Baiquan Farm, Kedong Yongjin Farm, Honghai Farm and Sifang Farm is approximately RMB47 million, RMB329 million, RMB147 million, RMB429 million and RMB429 million, respectively. The estimated amount of expenditure may vary from the actual amount for a variety of reasons, including changes in market conditions, competition and other factors. The construction of these new farms will be funded using primarily the proceeds received from the Pre-IPO Investments and the Global Offering, loans from banks and cash flow from operations.

The table below summarizes the details of our new farms:

	Tiefeng Farm	Baiquan Farm	Kedong Yongjin Farm	Honghai Farm	Sifang Farm
Location (province)	Heilongjiang	Heilongjiang	Heilongjiang	Heilongjiang	Heilongjiang
Expected completion of construction[(1)]	Fourth quarter of 2014	Second quarter of 2015	Fourth quarter of 2014	Fourth quarter of 2015	Fourth quarter of 2015
Expected commencement of operation/ commercial production[(1)]	Fourth quarter of 2014	Second quarter of 2015	Fourth quarter of 2014	Fourth quarter of 2015	Fourth quarter of 2015
Designed capacity (number of dairy cows)	450	15,000	12,000	15,000	15,000
Purpose of construction	Educational tours	Commercial production	Raising of reserve cows	Commercial production	Commercial production
Size (sq.m.)	200,010	994,000	714,000	1,000,000	673,333

Note:

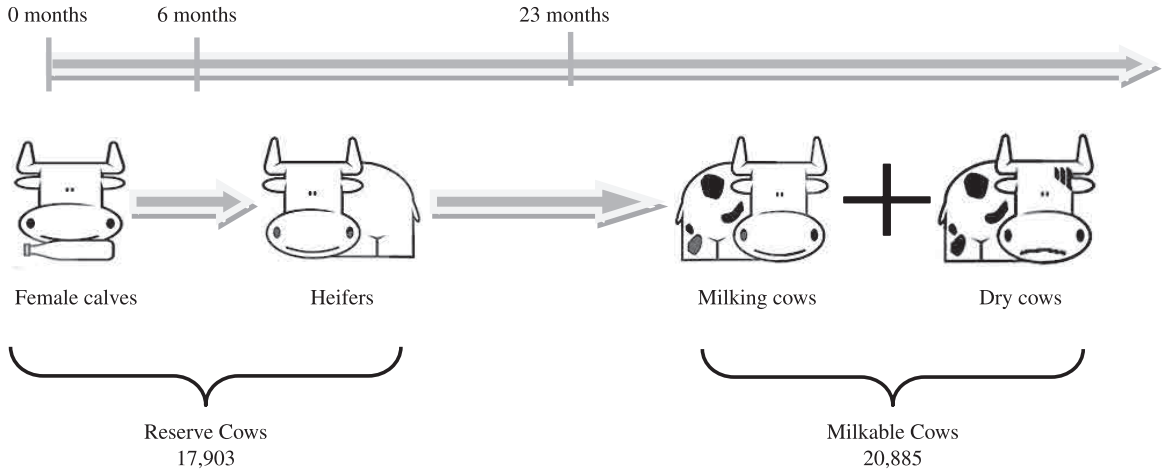
(1) We generally commence commercial production after construction of the essential facilities at the new farms is completed. As a result, the date of expected commencement of commercial production could be earlier than the date of expected completion of construction.

Because (i) we expect that each of our four existing farms will reach full capacity by the end of 2014, and (ii) the construction of a standard dairy farm will take approximately two years, we plan to commence construction of our new farms while our existing farms still have spare capacity. We will transfer our self-bred heifers to new farms after construction of the essential facilities at the new farms is completed. In addition, we plan to build five additional farms within the next three years as our herd size grows following the maturity of our self-bred calves and heifers. See "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations and Financial Condition — Size and expansion of our herd" for more information.

Our Dairy Cows

When we commenced operations at our first farm, Kedong YST Farm, we procured Holstein heifers aged six to 16 months which were imported from Uruguay, New Zealand and Australia. From March 2011 up to the Latest Practicable Date, we did not procure any imported heifers because we were able to sustain the operations at all of our farms using our self-bred heifers during this period. Because of our advanced insemination and feeding technologies as well as carefully selected bull semen from international sources, the cessation of our procurement of imported heifers did not materially affect the overall quality of our dairy cows, the quality of our raw milk, our production costs and profit margin.

Our dairy cows consist of female calves and heifers, which are our reserve cows, and milking cows and dry cows, which are our milkable cows. A female calf becomes a heifer after six months of her birth and further grows to become a milkable cow once she gives birth to her first calf. Not all milkable cows are being milked at all times. We give each pregnant milkable cow a dry period of approximately 60 days immediately prior to its confinement to ensure the quality and quantity of its raw milk as well as the quality of its health. The following chart illustrates the categorization and basic information of our dairy cows as of 30 June 2013:



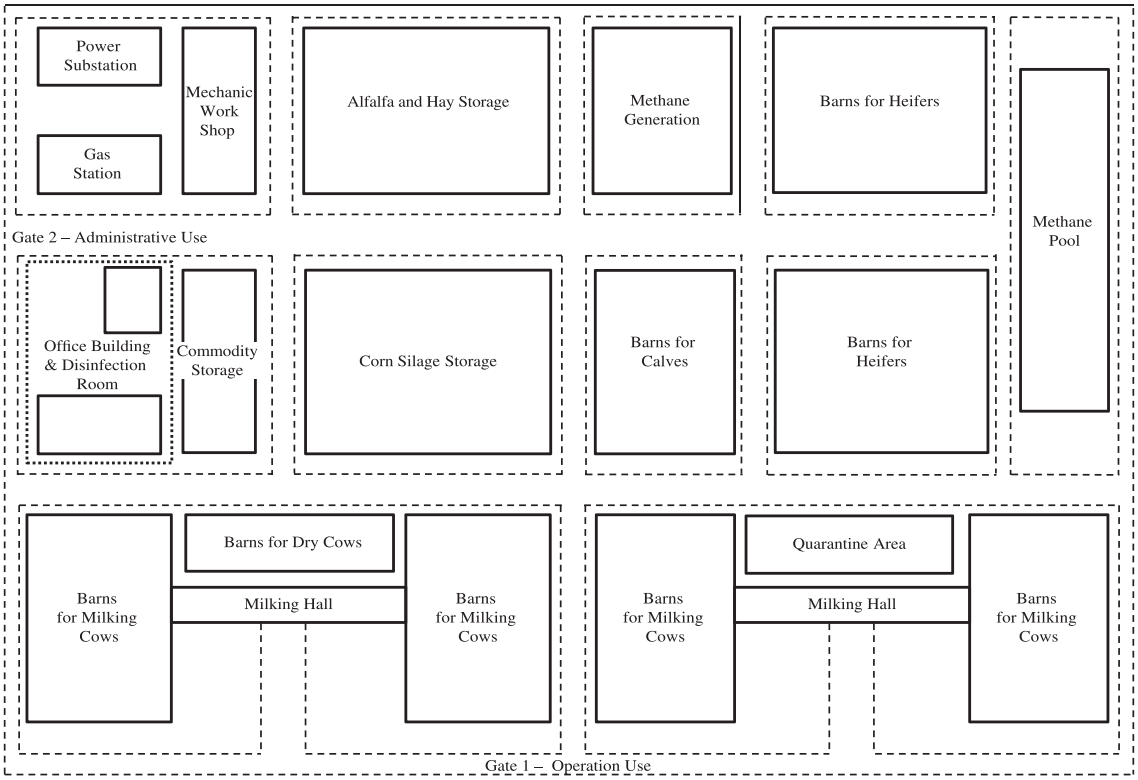
The following table sets forth a breakdown of our dairy cows as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
Reserve cows	7,796	17,269	16,357	17,903
Female calves	67	4,422	3,312	4,582
Heifers	7,729	12,847	13,045	13,321
Milkable cows	97	14,950	20,643	20,885
Total	7,893	32,219	37,000	38,788

Farm Layout

Our standard dairy farms are designed and constructed using a modern and scientific layout to maximize yield and productivity. Our farms are primarily comprised of milking halls, barns for calves, barns for mature cows, isolated areas for cows infected with diseases, waste treatment facilities and feed warehouses.

Below is a sample layout of our standard dairy farm design:



Individual Farms

Gannan Oumei Farm

Our Gannan Oumei Farm is located in Fuyu Village, Gannan County, Qiqihar City of Heilongjiang and is approximately 76 km northwest of Qiqihar City. The following table sets forth details of Gannan Oumei Farm as of 30 June 2013:

	Gannan Oumei Farm
Background data:	
Breed of herd	Holstein dairy cow
Method of farming	Free stall
Land size	986,333 sq.m.
Herd size	9,466
Actual designed capacity	12,000 dairy cows
Average age of dairy cows	38.4 months
Imported/self-bred ratio[(1)]	43.6%
Utilization rate for milking systems[(2)]	78.3%

Notes:

(1) The imported/self-bred ratio applies to our dairy cows and 100% of our self-bred dairy cows are the offspring of either American or Canadian bulls and our imported heifers. For more information, see "— Our Dairy Cows."

(2) Utilization rate is calculated by the number of milkable cows being milked divided by the maximum number of milkable cows that can be handled by the milking machines in operation at full capacity in a specific dairy farm.

The following table sets forth our raw milk sales volumes and a breakdown of our dairy cows registered at Gannan Oumei Farm as of and for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2010	2011	2012	2012	2013
Average milk yield per cow for the year/period (tonnes)	7.3	8.8	8.9	9.0	8.6
Raw milk sales volume for the year/period (tonnes)	13,965	33,125	45,539	22,579	22,995
Milkable cows as of the year/period end	1,943	4,925	5,377	5,156	5,909
Female calves and heifers as of the year/period end	4,874	2,982	3,446	2,974	3,557
Dairy cows as of the year/period end	6,817	7,907	8,823	8,130	9,466

We acquired Gannan Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan in September 2011, taking over its raw milk production business. Raw milk produced by Gannan Oumei Farm is supplied to Mengniu Group, Feihe Dairy Group and Aibeite, and processed at their local processing facilities.

Kedong Oumei Farm

Our Kedong Oumei Farm is located in Wanfa Village and Jianhua Village, Kedong County, Qiqihar City of Heilongjiang and is approximately 196 km northeast of Qiqihar City. The following table sets forth details of Kedong Oumei Farm as of 30 June 2013:

	Kedong Oumei Farm
Background data:	
Breed of herd	Holstein dairy cow
Method of farming	Free stall
Land size	384,000 sq.m.
Herd size	4,966
Actual designed capacity	6,000 dairy cows
Average age of dairy cows	44.8 months
Imported/self-bred ratio[(1)]	66.4%
Utilization rate for milking systems[(2)]	66.0%

Notes:

(1) The imported/self-bred ratio applies to our dairy cows and 100% of our self-bred dairy cows are the offspring of either American or Canadian bulls and our imported heifers. For more information, see "— Our Dairy Cows."

(2) Utilization rate is calculated by the number of the milkable cows being milked divided by the maximum number of milkable cows that can be handled by the milking machines in operation at full capacity in a specific dairy farm.

The following table sets forth our raw milk sales volumes and a breakdown of our dairy cows registered at Kedong Oumei Farm as of and for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2010	2011	2012	2012	2013
Average milk yield per cow for the year/period (tonnes)	9.4	8.9	8.5	8.7	9.1
Raw milk sales volume for the year/period (tonnes)	37,463	54,788	59,961	30,465	16,100
Milkable cows as of the year/period end	5,970	6,422	3,924	7,730	3,565
Female calves and heifers as of the year/period end	4,379	6,174	917	4,110	1,401
Dairy cows as of the year/period end	10,349[(1)]	12,596[(2)]	4,841	11,840	4,966

Notes:

(1) In 2010, 5,573 dairy cows of Kedong Oumei Farm were raised at Kedong YST Farm, so the actual number of dairy cows in Kedong Oumei Farm was 4,776.

(2) In 2011, 7,552 dairy cows of Kedong Oumei Farm were raised at Kedong YST Farm, so the actual number of dairy cows in Kedong Oumei Farm was 5,044.

We acquired Kedong Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan in September 2011, taking over its raw milk production business. Raw milk produced by Kedong Oumei Farm is supplied to Mengniu Group, Yili Group, Bright Dairy Group, Feihe Dairy Group and Aibeite, and processed at their local processing facilities.

Kedong YST Farm

Our Kedong YST Farm is located in Furao Village, Runjin Town, Kedong County, Qiqihar City of Heilongjiang and is approximately 201 km northeast of Qiqihar City. The following table sets forth details of Kedong YST Farm as of 30 June 2013:

	Kedong YST Farm
Background data:	
Breed of herd	Holstein dairy cow
Method of farming	Free stall
Land size	784,000 sq.m.
Herd size	13,735
Actual designed capacity	18,000 dairy cows
Average age of dairy cows	30.2 months
Imported/self-bred ratio[(1)]	58.2%
Utilization rate for milking systems[(2)]	69.2%

Notes:

(1) The imported/self-bred ratio applies to our dairy cows and 100% of our self-bred dairy cows are the offspring of either American or Canadian bulls and our imported heifers. For more information, see "— Our Dairy Cows."

(2) Utilization rate is calculated by the number of milkable cows being milked divided by the maximum number of milkable cows that can be handled by the milking machines in operation at full capacity in a specific dairy farm.

The following table sets forth our raw milk sales volumes and a breakdown of our dairy cows registered at Kedong YST Farm as of and for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2010	2011	2012	2012	2013
Average milk yield per cow for the year/period (tonnes)	10.8	10.3	10.1	9.0	8.6
Raw milk sales volume for the year/period (tonnes)	95	6,960	30,915	10,760	30,773
Milkable cows as of the year/period end	97	1,049	7,542	3,490	7,408
Female calves and heifers as of the year/period end	2,589	3,865	5,554	2,681	6,327
Dairy cows as of the year/period end	2,686[(1)]	4,914[(2)]	13,096	6,171	13,735

Notes:

(1) In 2010, our actual number of dairy cows at Kedong YST Farm was higher than 2,686 because 5,573 dairy cows of Kedong Oumei Farm were raised in Kedong YST Farm.

(2) In 2011, our actual number of dairy cows at Kedong YST Farm was higher than 4,914 because 7,552 dairy cows of Kedong Oumei Farm were raised in Kedong YST Farm.

Raw milk produced by Kedong YST Farm is supplied to Yili Group, Mengniu Group, Feihe Dairy Group and Aibeite, and processed at their local processing facilities.

Zhenlai Farm Phase I

Zhenlai Farm Phase I is located in Zhenlai County, Baicheng City of Jilin and is approximately 45 km northeast of Baicheng City. The following table sets forth details of Zhenlai Farm Phase I as of 30 June 2013:

	Zhenlai Farm Phase I
Background data:	
Breed of herd	Holstein dairy cow
Method of farming	Free stall
Land size	1,066,667 sq.m.
Herd size	10,621
Actual designed capacity	15,000 dairy cows
Average age of dairy cows	29.2 months
Imported/self-bred ratio[(1)]	54.2%
Utilization rate for milking systems[(2)]	41.4%

Notes:

(1) The imported/self-bred ratio applies to our dairy cows and 100% of our self-bred dairy cows are the offspring of either American or Canadian bulls and our imported heifers. For more information, see "— Our Dairy Cows."

(2) Utilization rate is calculated by the number of milkable cows being milked divided by the maximum number of milkable cows that can be handled by the milking machines in operation at full capacity in a specific dairy farm.

The following table sets forth our raw milk sales volumes and a breakdown of our dairy cows registered at Zhenlai Farm Phase I as of and for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2010	2011	2012	2012	2013
Average milk yield per cow for the year/period (tonnes)	N/A	9.7	8.8	9.6	8.3
Raw milk sales volume for the year/period (tonnes)	N/A	4,149	31,655	16,406	15,234
Milkable cows as of the year/period end	0	2,554	3,800	4,080	4,003
Female calves and heifers as of the year/period end	5,207	4,248	6,440	5,575	6,618
Dairy cows as of the year/period end	5,207	6,802	10,240	9,655	10,621

Raw milk produced by Zhenlai Farm Phase I is supplied to Yili Group, Mengniu Group, and Aibeite and processed at their local processing facilities.

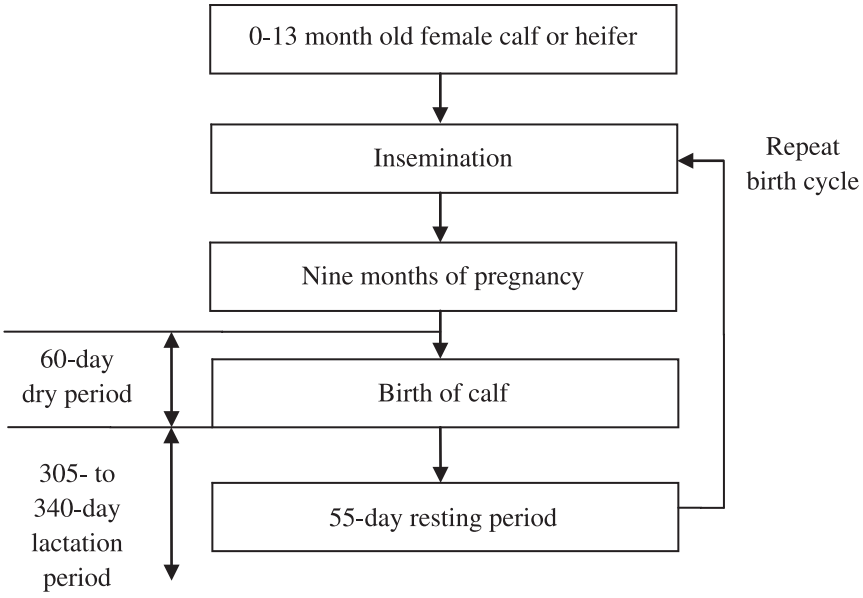
HERD MANAGEMENT

Breeding

As part of our overall expansion plans, we breed our own high-quality Holstein dairy cows to support our own farms. We primarily use artificial insemination technologies to breed our dairy cows and we generally source the semen of selected Holstein bulls from Canada and the United States. We usually request the selected suppliers to provide us with a list of the most productive Holstein bulls of that year. Taking into consideration factors such as the milk yield of the bull's offspring, age, type of dairy cow and the nutritional content of the raw milk produced by the bull's offspring, we select the most suitable semen that we believe will optimize the genetic mix of our dairy cows.

Additionally, we use sex-controlled semen for mature heifers in order to achieve significantly higher female calf birth rates. A normal female calf birth rate without sex-controlled semen is approximately 48%. Using sex-controlled semen enables us to attain a high female calf birth rate of approximately 70%, which will enable us to more aggressively grow the herd. Our suppliers of Hostein bull semen are responsible for after-sales services and for providing training by experienced personnel to our staff in relation to disease control and breeding techniques.

The diagram below illustrate the overall birth cycle of dairy cows:



It typically takes a new born female calf approximately 13 months to become a heifer of the appropriate breeding weight. At this stage, the heifer will be inseminated. Approximately nine months following a successful insemination, the heifer, now a milkable cow, will give birth to a calf. The cow will be given a resting period of 55 days before insemination is attempted again.

After calving, the lactation period begins and the cow is typically milked for approximately 305 to 340 days before a dry period. A cow has the highest milk production six to eight weeks post calving, after which its milk production will decrease. A sufficient dry period is required to maximize the cow's

milk production post calving and typically the cow is given a dry period of approximately 60 days prior to calving. In order to maximize the milk production over the life of a cow, it is important to use breeding management to control the length of the lactation period.

Feeding

Our feed includes concentrates and forages. Concentrates, which primarily consist of corn, soybean meal and cotton seed meal, are easily accessible commodities nationwide. Forages mainly consist of corn silage, grass forage and alfalfa. Feed quality can materially affect the quality of milk and yield of a cow. To optimize the feed formulas, we source concentrates and forages from international suppliers through either third-party domestic trading companies or agents, and domestic suppliers. We select suppliers based on the feed's quality and price. When the feed arrives at our farms, we conduct sampling inspection on various things, including the content of aflatoxin and the nutritional content. Corn silage is one of the most important feed ingredients for our dairy cows. While we do not directly control the corn plantation, we contract with local suppliers to produce the corn silage for us and provide them with recommendations as to which corn silage hybrids to plant. We determine the harvest time and harvest the corn silage using our own large-scale harvesters to ensure the quality of the corn silage.

Furthermore, we install different facilities in the warehouses for different feed. We store a certain quantity of feed to secure the needs of our dairy cows for at least two months to avoid any interruption of feed supply. Due to the dry and cool weather in Heilongjiang and Jilin, we are able to store our feed at relatively low costs compared to the farms located in southern part of China.

The feed nutrients required by each dairy cow can vary depending on a number of factors, such as age, stage of lactation and milk production level. To ensure that our dairy cows receive a balanced diet containing the amount and type of nutrients suitable for them at their particular stages of growth, we have adopted the "grouping strategies" feeding method at all of our farms. Our expert nutritionists prepare feed for different groups of dairy cows by blending together ingredients with different nutritional values to meet the particular needs of each group. To further improve dairy cows' daily nutritional intake and digestion, our suppliers of premix add certain supplements to the feed, such as vitamin and mineral supplements. We do not use hormonal growth substances to feed our dairy cows.

We take measures to ensure the good health of our female calves, which are fed four liters of colostrum as soon as they are born. They are then fed two more liters in six to eight hours to ensure successful passive transfer of immunity, after which they are switched to regular milk and fed six liters per day for eight weeks. In addition to milk, the female calves are given grains and water. Once they begin to consume approximately one and a half kg of grain per day for three consecutive days, they are ready for weaning, and are kept on the same calf grain for one more week before they are fed a calf grower.

Herd Management Technologies

We rely, to a large extent, on the Dairy Star for the management of our dairy farms. This software allows us to monitor each cow, including but not limited to its basic information, genetic connection, medical history and milk yield, and also allows us to track every step of the production process, including tracking the breeding cycle. The software generates various types of reminders to prevent mistakes due to employee negligence or misconduct, including, among other things, the dry period reminders for pregnant milking cows, the insemination reminders for mature heifers, the weaning

reminders for female calves and the barn-switching reminders. The Dairy Star improves the operating efficiency of our dairy farms and accuracy of the herd management. Additionally, the Dairy Star allows us to track the family tree of all bulls whose semen we have used for insemination. We utilize this software to avoid utilizing semen from a bull to inseminate any offspring of the same bull.

Furthermore, the software will generate various types of reports regarding different aspects of our operation, including but not limited to, reports on different groups of cows, namely, milking cows and pregnant cows, reports on the daily milk yield per cow and reports on total milk yield. The software also consolidates all the information of our four farms on a single network to allow central monitoring and data analysis, and greatly enhances the uniformity and standardization of our farm management.

Additionally, we utilize the automated activity monitoring system for heat detection to determine the best time to inseminate our cows, thereby improving the rate of successful inseminations leading to a higher rate of pregnancies, shortened calving periods and increased milk yields.

Cattle Welfare

It is our management philosophy to give priority to cattle welfare. Cows produce more milk, have fewer health problems, and live longer if they live in a comfortable environment. We carefully select the type and design of facilities that are suitable for the particular climates of Heilongjiang and Jilin, where our dairy farms are located. We equip our dairy farms with free stall ventilated barns, which allow the cows to walk freely between the bedding and the feeding area and keep the cows warm in extremely cold winters. We use sand, which is believed to be the most comfortable material for cows and is known for its ability to control the spread of mastitis in cattle housing, as bedding material to bed our cow stalls. However, during extreme winter months that are accompanied by freezing temperatures, we use rice straw or rice hulls to keep our cows warm. To prevent cows from slipping and feet injury, we utilize certain non-slip grooves in cows barns and non-slip mat in milking halls and passways from cows barns to the milking halls. Furthermore, we house our female calves in naturally ventilated barns, which are heated during the winter months to keep them warm.

Cow Health and Disease Control

We have implemented a strict and effective disease control policy to maintain the overall health of our herd. We perform routine checks on our dairy cows twice per day. The incidence and prevalence of lameness and mastitis, the two most common diseases affecting dairy farms, are relatively low on our farms. We believe this is attributable to our good hygiene practices, our well-managed free stalls, the clean environment of our facilities and the attention towards the health and welfare of our cattle.

Strict protocol for entering the farm and production facility

Employees are required to change and disinfect themselves before entering the production facilities, and vehicles must be disinfected before entering the farm. In addition, unauthorized vehicles, persons, animals and equipment are prohibited from entering the farm.

Regular and frequent disinfection of equipment and facilities

We disinfect our staff living quarters, milking halls and our veterinary hospital regularly. For example, we disinfect the veterinary hospital every day. Employees are required to wear masks, hats and gloves when handling dairy cows or milk.

Disease control measures

Infectious diseases, such as FMD, brucellosis, and bovine TB, are the major threats to the dairy farming industry. We have adopted several disease control measures at our dairy farms, including regularly administering the FMD vaccination and regularly testing for brucellosis and bovine TB. We vaccinate all young female calves that are over three months of age and the whole herd four times a year as part of our FMD prevention measures. Because there is no vaccine to prevent bovine TB, we conduct regular testing of the herd to keep the herd clean. We also require our employees to conduct regular testing to make sure they will not carry the disease to the farm. To prevent brucellosis, a disease that can spread quickly and lead to miscarriages, we regularly examine our herd at all of our farms. Where there is substantial risk of infection, we carry out farm-wide disinfection and immunization to prevent the spread of the disease.

In 2010, prior to our acquisition of Gannan Oumei Farm, several employees on such farm contracted brucellosis as a result of the improper handling of the brucellosis vaccine. No dairy cow was infected in the incident but the then operator of the Gannan Oumei Farm had vaccinated all of the dairy cows to prevent any recurrence of brucellosis at this farm. We have obtained a confirmation letter from the Livestock Husbandry and Veterinary Bureau of Gannan County of Heilongjiang, where Gannan Oumei Farm is located, confirming that there was no incident of animal infection since Gannan Oumei Farm's incorporation in 2008. To the best knowledge of our Directors, there were no other occurrences of brucellosis or other diseases or infections at any of our farms, prior to or after it was under our operation, and our cows had never been infected by any major diseases during the Track Record Period and up to the Latest Practicable Date.

We have established disease control committees at all of our dairy farms, comprising our farm managers, veterinary personnel and heads of each department. Immediately upon detecting any signs of a disease outbreak, our veterinary personnel are required to report the circumstances to the relevant veterinary department head, who in turn is required to report to the farm manager. Our general manager will be informed after the farm manager has conducted an on-site inspection and confirmed that there is an indication of a disease outbreak. Upon such confirmation by the farm manager, we immediately quarantine the diseased dairy cows in a secured barn and carry out farm-wide inspections and disinfection procedures to prevent the spread of the disease. We also suspend the transfer of cows between different barns. In addition, we are required to file reports with the local veterinary bureaus regarding any outbreak of certain classified diseases, such as FMD. Please see "Regulations" in this Prospectus for more details.

Quarantine and treatment of diseased and dead cows

We quarantine our diseased dairy cows in separate barns and our veterinary personnel inspect them promptly. We collect biopsy samples and carry out testing in our laboratories to determine the cause and severity of the disease. Where medical treatment is not cost-effective or not feasible, the diseased dairy cows are culled, their bodies are cremated, and the affected areas are disinfected. Dairy cows that have

been cured of any disease are milked in a separate milking hall until their milk passes all of our tests and examinations. Generally, dead cows and aborted fetuses are disposed of by our veterinary personnel within a few hours of death.

Mandatory disease control training for new staff

We require all of our new staff to complete mandatory disease control training before they begin to work. Mandatory disease control training is given to all employees at our farms at least once a year.

Stock-take on dairy cows

We perform a stock-take on sample size of 30% of dairy cows at the end of each month and conduct a full stock-take on a quarterly basis. Our operation staff provide the written records on dairy cows, including their numbers and locations, to the accounting personnel, after which the accounting personnel conduct stock-take. When any difference between the accounting records and operating records arises, the operation staff must explain the difference and show evidence to the accounting personnel, failing which a gain or loss on biological assets will be booked by the accounting department. During the Track Record Period, no such gain or loss was recorded. In order to better control the physical existence of our biological assets, we tag our milkable cows with electronic identification devices that enable us to identify our cows and track the times at which they enter the milking hall. In addition, our staff conduct daily examinations on our herd, and document any increase in number, transfer and disposal of cows in the database of Dairy Star. As a result, the records of Dairy Star are an important reference for checking the stock-take results, as well as for the internal controls over physical existences of our cows.

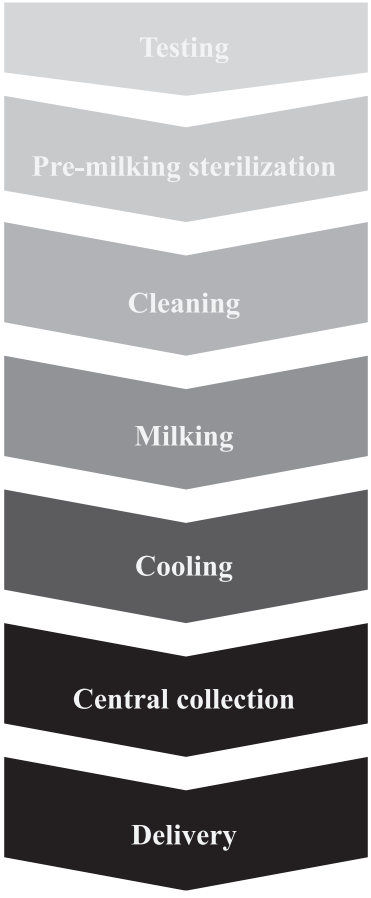
OUR PRODUCTION OPERATIONS AND FACILITIES

Overview

We are primarily engaged in the business of dairy farming by production and sales of premium raw milk. We utilize advanced feeding technologies at our farms to feed our high-quality dairy cows. During the Track Record Period, we focused on developing our dairy farms and increasing our production capacity.

Production Process

We prohibit direct contact with our raw milk throughout the entire production process. We milk our milking cows three times each day through an automated and sanitary process. Raw milk from our dairy cows is transported automatically through a series of pipes directly to our central milk tank, which is maintained at 4°C. Cooled raw milk is then transported through pipes from the central tank to the trucks of our customer or third-party logistics providers in a timely manner. The following diagram illustrates the milk production process:



The milk production process comprises the following steps:

- *Testing* — to ensure the quality and safety of raw milk, we discard the first three squeezes of raw milk from the milking cows. Our dairy workers also check the health condition of the milking cows' udders at this stage, which includes checking the appearance of udders or if there are any lumps in the first three squeezes of raw milk. Upon observation of any signs of mastitis, the milking cow will be immediately quarantined and checked by our veterinary personnel.

- *Pre-milking sterilization* — before milking, the udders and teats of milking cows are sprayed with sanitizing fluids. We also clean and sterilize the teat cups before milking.

- *Cleaning* — the udders and teats of milking cows are wiped dry with dry towels within 30 seconds after sterilization.

- *Milking* — to commence the milking process, the dairy workers will attach the teat cups, which are connected directly to a central milk tank, to our milking cows' udders promptly after finishing the above procedures to minimize the risk of infection.

- *Cooling* — the raw milk produced from milking cows is immediately cooled to around 4°C.

- *Central collection* — we pipe all milk directly to our central milk tank and store the milk at around 4°C.

- *Delivery* — we directly pipe the raw milk from our central milk tank to the trucks of our customer who collects the raw milk at our farms or third-party logistics providers who deliver the raw milk to our customers.

Facilities

Milking systems

All of our farms are equipped with the parallel milking system, a modern system that allows us to pump milk up to 320 milking cows on a farm at the same time. Utilization rates of the milking systems at our four farms ranged from 41.4% to 78.3% as of 30 June 2013, largely depending on how many milking cows are on each farm. The utilization rates of the milking systems are designed to reach 100% at mature farms when the herd mix of milkable cows and calves and heifers stabilizes.

As of 30 June 2013, we had a total of 21 milking machines at our four farms and a majority of our milking machines were purchased from overseas suppliers. Our milking systems, which are highly automated and require low involvement of individual workers throughout the milking process, transport our raw milk through pipes directly to our central milk tank from our milking cows. The milking process is completely insulated from any external contact and therefore minimizes the risks of tampering or contamination. We perform inspections of our milking facilities and equipment three times per day. During the Track Record Period, we did not experience any material or prolonged interruption in our operations.

Storage facilities

We installed storage facilities at all of our four farms. The storage facilities are well-designed for storing high moisture corn, which is a key ingredient that we use in our feed.

Cow facilities

We carefully designed and constructed our facilities for the comfort of our cows. We use naturally or mechanically ventilated barns at all of our dairy farms. For example, we use the low profile cross ventilation barn design, or LPCV barn design, which uses mechanically ventilated barns, for milkable cows at Kedong YST Farm and Zhenlai Farm Phase I. LPCV barns were first designed and used in the United States in 2005. The LPCV barns stabilize temperatures throughout the year to maintain a comfortable environment for our cows. In extremely cold winters, the inside temperature of the LPCV barns is at least 10°C to 15°C higher than the outside temperature, and in the summer months, cows housed in LPCV barns are cooled effectively with evaporative cooling pads without generating additional waste water.

QUALITY CONTROL

Quality control is essential for dairy products in China. As such, we place great emphasis on quality control and have installed and implemented strict monitoring and quality control systems to manage our operations. The strict quality control systems contribute to the safety and high quality of our raw milk. For example, the control over the quality of dairy cows and our efforts to keep a clean living environment for our cows enable us to produce high-quality raw milk with low microbe count and low SCC. Generally speaking, raw milk at the time of leaving the udder of healthy cows, which are not infected with mastitis, normally contains very low numbers of micro-organisms and a low SCC. After the raw milk is milked, the microbe count could increase due to external contamination. For more details, please see "Industry Overview — Dairy Farming Industry in China — Assessment of Raw Milk Quality — Safety standard." In order to ensure the safety of our raw milk, we perform routine checks on our dairy cows twice per day to lower the incidence and prevalence of mastitis. We also use sand, which is known for its ability to control the spread of mastitis, as bedding material to bed our cow stalls, and clean the barns and other facilities regularly. In addition, we adopt strict disinfection procedures during milking and carry out the extraction of raw milk in an automated and sanitary environment to minimize the chance of our raw milk being contaminated with microbe. After the milk is milked from dairy cows, we cool the raw milk immediately and transport it through pipes directly to our central milk tank, which is temperature controlled, all of which help to minimize the risk of external contamination of our raw milk. For more details, please refer to " — Herd Management" and the quality control measures described below.

At different stages of the whole production process, we perform a number of quality inspections and testing procedures, including sensory testing, physicochemical index evaluation, total bacterial count testing, veterinary drug residue testing, somatic cell testing and pathogenetic bacteria testing, to ensure that our raw milk complies with applicable PRC health and safety regulations for food products. In addition to our own routine inspections, we also submit our raw milk to the livestock breeding guidance center in Heilongjiang to inspect the quality of our raw milk.

In the wake of the melamine incident in 2008, the general public in China, including our customers and consumers as well as the government, have become seriously concerned about the safety of China's raw milk and dairy products, particularly with respect to any additives, chemicals or other artificial substances that might be added to raw milk. Our customers, as dairy products manufacturers, are required by law to carry out melamine contamination tests before their dairy products are sold on the market. Our customers also carry out the melamine contamination tests when our raw milk is delivered. As we have never added any additive or chemical substances in our raw milk for any purpose, our raw milk has never been found to contain melamine or any artificial substance.

As of the Latest Practicable Date, we had a total of seven technicians, all of whom have professional qualifications with respect to one of the three areas, namely food inspection, dairy products inspection and disease inspection. Each of our dairy farms is equipped with a laboratory to closely monitor our production process. The reports on the safety and quality of our raw milk are generated in the laboratory center and submitted to the enterprise management department and the managers in charge of the quality control. Our raw milk had never been contaminated during the Track Record Period and up to the Latest Practicable Date. In addition, since the commencement of our operations in

2010 up to the Latest Practicable Date, we had not received any safety or quality related complaints regarding our raw milk or been subject to any product dispute or recall or return of our product which could have a material adverse effect on our financial condition or results of operations.

Our comprehensive quality control system is divided into four stages: (i) control over the quality of dairy cows; (ii) control over the quality of feed; (iii) quality control during the milking process; and (iv) quality control during storage and transportation.

Control Over the Quality of Dairy Cows

The quality of dairy cows directly affects the safety and quality of raw milk. Currently we breed our own high-quality Holstein dairy cows. We inseminate our dairy cows with the semen from selected Holstein bulls sourced from Canada and the United States, to improve the genetic mix of our herd. We purchase frozen semen of selected Holstein bulls from international suppliers either directly or through third-party domestic trading companies, and require a quarantine report of each bull that supplied the semen before the semen is accepted. We assess the semen based on various factors, including the nutritional content of raw milk produced by the bull's offspring, and the milk yield and health condition of the bull's offspring.

We also have a set of comprehensive disease control standards and procedures designed to ensure and maintain the high quality of our dairy cows. We vaccinate all young female calves that are over three months of age and the whole herd four times a year as part of our FMD prevention measures. With the exception of the vaccines and medical treatments for the diseased cows, we have never injected our cows with any chemical or artificial substances, including hormones, for any purpose. We also perform routine checks on the herd at our four farms in order to prevent major diseases. Up to the Latest Practicable Date, our heifers imported from Uruguay, New Zealand and Australia had never been found to be contaminated by any harmful substances. Furthermore, we carry out routine health inspections at least twice per day, based on, among other things, movement and rumination of our dairy cows. Additionally, we have installed the Dairy Star at all of our farms to monitor the quality and health of each dairy cow. Upon detection of any signs of illness, such dairy cow will be immediately quarantined in a separate barn and examined by our veterinary personnel. As of 30 June 2013, we had a total of 137 personnel with backgrounds or training in the area of veterinary medicine at our farms.

Control Over the Quality of Feed

Feed quality can materially affect the quality and yield of raw milk. We have implemented a centralized system for feed procurement and inspection which helps us to maintain stable and high-quality feed supplies, and we purchase the concentrates and forages from international suppliers through either third-party domestic trading companies or agents, and domestic providers. We have contracted with local suppliers to plant corn silage for us. Feed delivered to our dairy farms by our suppliers is quarantined while our laboratories perform the requisite sampling inspections. Such feed is accepted and stored in our warehouse only after approval by our enterprise management department. Feed that fails the inspection is rejected and immediately returned to the suppliers.

We store different types of feed separately in our warehouses to prevent cross-contamination. We have installed storage facilities at all of our farms. The storage facilities are well-designed for storing corn, which has high moisture content. In addition, due to the relatively cooler temperatures and lower

humidity levels of Northeastern China, where our dairy farms are located, we believe that we are exposed to a lower risk of feed contamination compared with our competitors who operate dairy farms in warmer and more humid environments, such as eastern and southern parts of China.

Additionally, we standardize feeding procedures at all of our farms to make sure our cows are fed using the same methods at all times. We deliver the fresh feed to our cows three times a day and clean the feed mangers once a day to prevent spoilage.

Quality Control During the Milking Process

We adopt standard milking procedures at all of our dairy farms. We carry out the extraction of raw milk in an automated and sanitary environment to ensure milk quality and safety. We continuously monitor our milking process and carry out inspections during the process to ensure consistency in the quality of our raw milk and compliance with applicable milk safety standards. To ensure the safety and quality of raw milk, we spray the teats of dairy cows with sterilizing fluid before milking commences and clean dairy cows' teats with dry towels before attaching the milking cups. We discard the first three squeezes of raw milk from the dairy cows. After the milking process is complete, we sanitize the teats of dairy cows once again to protect cows from infection. We also clean and sterilize the teat cups before milking. Such milking procedures, combined with our strict disease control procedures to maintain the overall health of our herd and clean living environment for our cows, enable us to produce high quality raw milk with low microbe count and low SCC.

We utilize the parallel milking system, which allows us to cool the raw milk immediately after it is milked from dairy cows and transport it through pipes directly to our central milk tank, which is temperature controlled. The parallel milking system lowers the involvement of individual employees and eliminates the risk of external contamination during the milking process.

Quality Control During Storage and Transportation

Following completion of the milking process, we carry out further testing and inspection before the raw milk leaves our farms and is delivered to our customers. Prior to delivery, we inspect and test our raw milk for, among other things, veterinary drug residues, SCC, microbe count, protein content and fat content, and we generate a quality report for our internal records. All of the raw milk in the storage tank will be discarded if we detect any amount of veterinary drug residues that exceeds our safety standards, and there was no such incident during the Track Record Period.

Except for Aibeite, who collects raw milk from our dairy farms and arranges for its own raw milk transportation, we contract with various independent third-party logistics providers to deliver our raw milk to our customers. We have checked their certificates to confirm the qualifications of these independent third-party logistics providers to deliver fresh raw milk. Their transportation infrastructure is designed to maintain optimal storage conditions for the safety and quality of our raw milk during transit. The storage tanks and milk containers in their delivery trucks are cleaned and sanitized regularly in accordance with our quality control procedures. Throughout the whole process, our milk is stored at temperatures below 4°C to ensure that it maintains its freshness. Each thermo-insulated milk truck is lead sealed before leaving our farms and is opened only by our customers upon arrival. If our customers observe any sign of damage to the lead seal, the milk truck will immediately return to our dairy farms and such milk will be discarded. No such incident has happened in the past. We do not keep any raw milk stock at our farms, and all raw milk produced is transported within 24 hours.

RISK MANAGEMENT POLICIES AND PROCEDURES

We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations. There are two main risks for dairy farming companies, namely the outbreak of major diseases and product contamination. A major outbreak of any illness or disease at any of our dairy farms could have a significant adverse impact on our raw milk production capacity and volume. At each of our dairy farms, we vaccinate different groups of dairy cows to prevent certain diseases, such as FMD, according to the different stages of their growth and perform routine checks on the health condition of our dairy cows. For more details on disease control, see "— Herd Management — Cow Health and Disease Control."

Product safety and quality are crucial to our business. Product contamination could harm our business and reputation and subject us to product liability claims and regulatory action. As a result, we adhere to a series of strict quality control procedures to manage our operations. See "— Quality Control."

SALES AND MARKETING

Customers

During the Track Record Period, our top five customers were Yili Group, Mengniu Group, Feihe Dairy Group, Bright Dairy Group and Aibeite, a majority of which are leading dairy products manufacturers in China. During the Track Record Period, our revenue from these five customers collectively accounted for 100.00%, 99.83%, 99.98%, 100.00% and 100.00% of our total revenue for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. In 2012, Mengniu Group, Yili Group and Bright Dairy Group, all of which were engaged in the production and distribution of dairy products in China, were the three largest dairy products manufacturers in China with a consolidated market share of 21.8%. The other two of our top five customers were Feihe Dairy Group, also a leading dairy products manufacturer in China in 2012, and Aibeite, which is primarily engaged in the processing of infant formula products. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, revenue from our largest customer was RMB0.3 million, RMB52.8 million, RMB305.3 million, RMB141.1 million and RMB153.3 million, respectively, and accounted for 100%, 35.5%, 44.3%, 43.1% and 39.8% of our total revenue, respectively.

We intend to maintain these relationships in order to maintain and grow our revenue. Prior to 2012, Mr. HL Zhao and Mr. Fu Wenguo held 18.39% and 24.52% equity interests in Aibeite, respectively, and they did not have any interest in Aibeite as of the Latest Practicable Date. To the best knowledge of our Directors, none of other Directors, their associates or any of our Shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our top five customers.

Contract Terms

During the Track Record Period, we sold our raw milk to customers mainly through one-year contracts. In the past, we entered into contracts with Feihe Dairy Group and Bright Dairy Group pursuant to which we agreed to supply these two customers with all the raw milk produced at certain of our farms on a daily basis. At the same time, they also agreed to offtake our raw milk at such farms. In addition, our past contracts with Bright Dairy Group and Aibeite required us to obtain the consents of

these two customers prior to selling raw milk to other customers, failing which we would be liable for breach of contract and required to pay damages. During the Track Record Period, in certain circumstances we breached our contractual obligations to sell raw milk produced at certain of our farms to Feihe Dairy Group on an exclusive basis and to obtain Bright Dairy Group's written consent prior to selling raw milk to other customers. This failure was due to the fact that, during the initial stages of our contractual relationship with these customers and as we were gradually assuming the role of a major raw milk supplier for their production of high-end dairy products, our production volumes increased significantly such that these customers needed more time to reallocate their procurement volumes among their suppliers in order to absorb all of the raw milk with which we were contracted to supply them. As such, there was implicit understanding between our customers and us to waive our obligations. In addition, we have obtained written waivers from each of them to document their implied waivers for our defaults historically and of their respective claims or rights arising from such breaches. The new sales contracts we entered into with these customers in 2013 do not contain exclusivity terms or require us to obtain the consent of any customer prior to selling raw milk to others. Furthermore, we have established a contract management system to oversee the execution, modification, termination and management of our contracts, in order to minimize the risk of defaulting on our contracts going forward. Under such system, the contract undertaking department is required to submit the relevant contracts and annexes, within 30 days after the performance of contracts or resolution of contract disputes, to the administration department, which is required to compile contract lists and monitor contract status. In addition, the contract undertaking department is required to determine if certain contracts need to be renewed before such contracts expire.

Pursuant to the Oumei Transfer Agreement, we agreed, as consideration for the acquisition of Gannan Oumei Farm and Kedong Oumei Farm, to make the first payment in cash and to supply raw milk valued at a specified amount to Feihe Dairy HLJ on a quarterly basis in lieu of a second cash payment. Under the agreement, we agreed to supply Feihe Dairy HLJ with raw milk produced at these two farms exclusively and would only be permitted to sell raw milk to other customers after supplying Feihe Dairy HLJ with raw milk valued RMB122.4 million per quarter for 18 months after the closing date of such acquisition in September 2011. Furthermore, we had agreed to continue to provide raw milk exclusively to Feihe Dairy HLJ from these two farms at the fair market price upon request even after the satisfaction of the supply obligation set forth in the contract. This exclusivity term in the contract was subsequently replaced by the raw milk priority supply term in the supplemental agreement we entered into with Feihe Dairy HLJ in April 2013, pursuant to which Feihe Dairy HLJ has priority to purchase our raw milk under the same conditions as those governing our contracts with other dairy products manufacturers. This priority supply term was retrospectively effective from its execution date and is expected to expire when all the acquisition consideration has been repaid. In addition, pursuant to the supplemental agreement, we are required to supply Feihe Dairy HLJ with raw milk valued RMB48.4 million in total on a quarterly basis for 33 months from 1 April 2013, or pay Feihe Dairy HLJ the shortfall of such quarterly payment in cash.

In the first half of 2013, we entered into new sales contracts with our top five customers, respectively. The new sales contracts generally have contract terms of one year, and are renewable upon expiration. Pursuant to the new contracts, we are obligated to supply our top five customers, except for Aibeite, with a minimum amount of raw milk per day, with 5% to 20% flexibility. We agreed to supply raw milk to Aibeite on a daily basis with an amount based on the actual availability. The contracted minimum sales volumes mentioned above were preliminary volumes that both parties agreed upon when

entering into the contracts, and the actual executed volumes were subject to adjustments based on further negotiations, market conditions and the allocation of our total production volumes among our customers.

We are generally required to provide raw milk that meets qualifications stipulated in our sales contracts. Our customers have the right to refuse acceptance of our raw milk if the raw milk: (i) fails to pass the safety and quarantine inspection conducted by our customers; (ii) is produced by milking cows that gave birth within seven days of production, were undergoing antibiotic treatment when milked or had been milked within seven days after receiving such treatment, or by cows that were suffering from any infectious diseases, such as mastitis, bovine TB, or brucellosis, when milked; (iii) is spoiled or adulterated; or (iv) fails to meet other safety and quality standards stipulated by laws and regulations.

Under the new sales contracts with Yili Group, Mengniu Group, Bright Dairy Group and Feihe Dairy Group, we have agreed to arrange for the deliveries of our raw milk to their processing plants by third-party logistics providers. Under the sales contracts with Aibeite, Aibeite collects raw milk directly from our farms for its processing plant.

Under a majority of our sales contracts, our customers are required to compensate us for losses incurred as a result of any undue refusal of delivery of qualified raw milk, or any unreasonable imposition of heightened safety and quality standards of raw milk not specified in the contracts. Accordingly, we are required to deliver raw milk to our customers on a daily basis, failing which we are required to pay a penalty of RMB5,000 per customer per day.

Credit Policy

During the Track Record Period, sales of our raw milk to our customers were made pursuant to our general credit policy and payment terms, except for Feihe Dairy Group, to which we supply raw milk to settle the consideration for the acquisition of two dairy farms. Our trading terms with our customers are mainly on credit, generally with credit terms of up to 30 days. Our customers are required to make payments on raw milk purchases in the previous month, based on the actual purchase quantities and prices.

Pricing Policy

In general, the purchase price of our raw milk is determined through a formula which is calculated with reference to a base price taking into account any upward or downward adjustments for exceeding or failing certain safety and quality standards including, among other things, the microbe count, the level of protein content and fat content and the freezing point of raw milk. For example, pursuant to our contract with one of our customers, an upward adjustment of RMB200 per tonne is attached to the base price when the microbe count of our raw milk falls below 100K/ml. The base price is adjusted from time to time based on market price, and is affected by consumer demand, which is high in the first and fourth quarters and relatively low in second and third quarters in a year. A price cap is set along with the base price. We apply similar price adjustment mechanisms to all of our customers. We negotiate the selling price with each of our customers from time to time, depending on the changes of market condition. We confirm that the selling prices of the raw milk that we sold to Feihe Dairy Group during the Track Record Period were at similar levels compared to the selling prices of the raw milk that we sold to other

customers. Based on their due diligence, the Joint Sponsors concur with the above confirmation. Therefore, the profitability of our sales to Feihe Dairy Group was also similar to the profitability of our sales to other customers.

In 2012, the Heilongjiang government implemented a guided-price of approximately RMB3,310 per tonne, which is a benchmark price for raw milk sold in the province and significantly lower than our average selling price of approximately RMB4,100 per tonne in the same year. In fact, due to the super premium quality of our raw milk, a number of customers use our raw milk for the production of their high-end dairy products and, as a result, we are able to charge raw milk prices that are higher than the prices charged by a majority of other dairy farming companies in China.

MAJOR SUPPLIERS

Our primary raw material is feed for our dairy cows. Our feed consists of a mixture of both concentrates, such as corn, soybean meal and cotton seed meal, and forages, such as corn silage, grass forage and alfalfa. While the concentrates are commodities that can be readily purchased on the market, forages are much more difficult to procure as they must be planted and harvested according to certain specifications in order to preserve their nutritional values.

Our procurement department is responsible for acquiring feed, selecting suitable suppliers, and coordinating with our quality control personnel to ensure that the delivered feed meets our specifications and requirements. As the quality and yield of raw milk produced by a dairy cow are largely determined by the nutritional composition of its feed, we only source feed products from carefully selected feed suppliers in and outside China to ensure reliable and high-quality feed supplies. We currently procure approximately 50% to 80% of our alfalfa supplies from U.S. suppliers and a portion of oat supplies from Australian suppliers through either third-party domestic trading companies or agents. We select suppliers mainly through mutual negotiation, which enables us to procure high-quality feed at reasonable costs. We compare the quality and prices of feed from several suppliers, where possible, and consider each supplier's ability to satisfy our volume and delivery requirements. We provide specifications for feed, including certain percentages of protein for calf feed, freshness requirement for alfalfa and certain percentage of water content for cotton seed meal. We procure almost all the feed from multiple suppliers at the same time to minimize our dependence on any single supplier.

We have not entered into any long-term contracts with any of our suppliers. We maintain good relationships with our feed suppliers, and did not experience any material disputes with our suppliers or supply shortages during the Track Record Period. Our Directors confirm that the raw materials required for our production are readily available in the market and our Directors do not expect any interruption to our feed supplies.

We typically purchase our concentrates from domestic suppliers. Because of our scale and the quantity we typically purchase, we are able to obtain favorable terms on prices for many of our concentrate components. For our forage supplies, we generally enter into short-term purchase agreements shorter than five months with trading companies to purchase high-quality imported alfalfa, and purchase agreements with domestic suppliers to buy other forages. We also enter into short-term purchase agreements of between eight to 12 months with local suppliers, under which the local suppliers grow the corn silage according to our specifications. We determine the harvest time and we harvest the corn silage using our own large-scale harvesters to ensure the quality of the corn silage. We maintain the right to refuse the delivery of concentrates and forages if the feed fails to meet our standards.

In order to maintain the high quality and high yield production of our raw milk, we purchase the semen of selected bulls from Canadian and U.S. suppliers either directly or through third-party domestic trading companies. The selected suppliers provide us with a list of the most productive Holstein bulls of that year. Taking into consideration factors such as age and type of dairy cows, we select the most suitable semen that can best optimize the genetic mix of our dairy cows.

Three of our feed suppliers, namely Dinghe Feeds, Dinghe Modern and Dinghe Qinggang, were owned by Mr. HL Zhao with 60.0%, 66.7% and 66.7% of equity interests, respectively, as of the Latest Practicable Date. All of our other suppliers are Independent Third Parties. We have business relationships of longer than two years with three of our five largest suppliers, which are all feed suppliers. These suppliers do not include any of our customers. We were granted credit terms ranging from two to six months during the Track Record Period. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, our largest supplier accounted for 24.5%, 5.6%, 19.9% and 5.8%, respectively, of our total purchases, and our five largest suppliers together accounted for 44.1%, 19.3%, 35.0% and 21.9%, respectively, of our total purchases. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest suppliers.

As of the Latest Practicable Date, we were not involved in any outstanding disputes with our existing suppliers.

INDEPENDENT THIRD-PARTY CONTRACTORS

During the Track Record Period, we engaged independent third-party contractors, who are experienced workers within and around the regions in which we operate, primarily to build our dairy farms. As of 30 June 2013, we had a total of 25 independent third-party construction contractors.

Scope of Work

Our independent third-party contractors carry out work that is labor intensive and requires them to possess experience in the construction of large-scale dairy farms. We contract with third-party contractors to build components for our dairy farms, including barns for different groups of dairy cows, milking halls, feed warehouses and supporting infrastructure. We also engage these contractors for other assignments, such as erecting steel structures, installing equipment and building production facilities. In addition, under several construction contracts, the contractors are liable for any accidents that occur during construction, including monetary losses or personal injuries, arising directly from their lack of safety management or violation of applicable laws. There were no such accidents that materially affected our business during the Track Record Period. Our authorized employees supervise the construction undertaken by our independent third-party contractors and communicate with them regarding the construction from time to time. Our independent third-party contractors are also required to construct the dairy farm in accordance with relevant laws and will be liable for any failure to pass the governmental inspections. In the event that the completed facilities fail to meet our requirements for the daily operation of our dairy farms, the contracts require the independent third-party contractors to pay us damages.

We believe that maintaining a stable relationship with our contractors and the contractors' satisfactory performance are both critical to the success of our business operations. During the Track Record Period, we were not involved in any disputes with, and were not held liable for any regulatory

non-compliance by, independent third-party contractors that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, we did not experience any suspensions or delays as a result of any improper act by the independent third-party contractors during the Track Record Period. All independent third-party contractors are selected in accordance with our selection criteria, see "— Our Selection Criteria."

Our Selection Criteria

In selecting third-party contractors, we obtain quotes from various independent third-party contractors based on their construction capability, quality, price, skill and experience. Prior to entering into contracts, we also require the independent third-party contractors to possess the requisite certificates issued by the relevant administrative authorities. Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our quality, safety, environmental, labor, social insurance and social insurance-related standards.

Contract Fees

According to the contracts, the contract price can be either an adjusted amount which can be changed upon both parties' approvals, or a fixed amount in the signed contract, which is determined by the agreed-upon terms of the contract. Monetary damages may be incurred in case of either party's breach of contract, the contractors' delayed completion of the project or our delayed payment. During the Track Record Period, we did not incur damages as a result of any breach of contract.

LOGISTICS

For Yili Group, Mengniu Group, Feihe Dairy Group and Bright Dairy Group, we contract with several logistic providers to deliver our raw milk to the processing facilities of these customers, while Aibeite arranges for its own raw milk delivery. We do not own or operate any trucks used for raw milk transportation. We have stringent criteria for the selection of a logistics provider, such as price, industry experience and track record. We implement a set of strict quality control standards for them to follow. All of our logistics providers have experience in the raw milk delivery.

Under the logistics agreements that we entered into with logistics providers, the raw milk must be transported to the appointed place in accordance with the contract terms. In addition, we have the right to supervise the logistics providers' transportation operations, and require them to be equipped with certain devices and facilities in accordance with the relevant PRC laws and regulations on raw milk transportation. The logistics providers are liable for any damages resulting from their failure to deliver raw milk to our customers under certain circumstances, such as the drivers' reckless driving, breach of their contractual obligations and where their trucks fail our quality control inspections. The logistics agreements are mainly one-year contracts, and some of these agreements will be automatically renewed absent any disputes between the parties. We believe that by engaging professional logistics providers, we are able to manage the delivery of our raw milk more efficiently and further strengthen our quality and safety control. All of our logistic providers are specialized milk transporters. Their ability to customize their transportation facilities and procedures in accordance with our quality standards helps to ensure the quality of our raw milk.

During the Track Record Period, we did not experience any material disruption or delay in the delivery of our raw milk. We believe this outsourcing arrangement allows us to focus our resources on our core business, reduce our capital investment and minimize the risk of liability for transportation accidents, delivery delays or losses. We also believe that alternative qualified logistics providers are readily available in the market, and that we are able to substitute our current logistics providers with alternative logistic providers if they fail to meet our requirements.

COMPETITION

The dairy farming industry in China is extremely fragmented. According to *Euromonitor International*, in 2012, among approximately 2.2 million dairy farms, more than 99.9% had fewer than 1,000 cows. As a result, large-scale dairy farms that are equipped with modern technologies and advanced farming processes have significant opportunities to expand market share through further growth and improved milk yields. We are a leading dairy farming company in China in terms of herd size as well as in terms of production volume in 2012, and are dedicated to the production of super premium raw milk. Each of our dairy farms has an actual designed capacity ranging from 6,000 to 18,000 dairy cows, and is among the largest dairy farms in China.

During the Track Record Period, our only product was the raw milk produced on our farms. Competition is based on various factors, such as safety, price and quality, among which the most important one is product quality. Following the melamine incident, downstream dairy products manufacturers have focused on sourcing premium quality raw milk, especially for the production of their high-end dairy products. As such, the supply of premium raw milk has fallen short of demand. According to *Euromonitor International*, our raw milk is of super premium quality. The average microbe count and SCC of our raw milk are as low as 4K/ml and 162K/ml, respectively, while the average percentages of protein and fat of our raw milk are as high as 3.4% and 4.2%, respectively. As measured by such parameters, our raw milk is considered the safest and most nutritious in China and therefore is in high demand among leading domestic dairy products manufacturers.

The large-scale dairy farming industry has a relatively high entry barrier, requiring substantial capital investment, management's experience and government support. Our Directors believe that we face limited competition in China's large-scale dairy farming industry, and are of the view that our competitive strengths, including the super premium quality of our raw milk, operating scale and strategic locations of our farms will further increase our competitiveness in China as a producer of premium raw milk and allow us to effectively target customers who are seeking to purchase quality raw milk and produce high-end dairy products.

EXPANSION PLAN

We intend to expand our business to encompass upstream operations, including the production and sale of feed and organic fertilizers by developing our own feed farms and through strategic cooperative arrangements with local farmers in neighboring regions. We believe that our management team, which participates in the field management process in cooperation with our silage suppliers, possesses the requisite experience to manage our future upstream business, and that agricultural human resources are readily available in Heilongjiang. We believe that extending our business operations to include feed farming will help to ensure stable supplies of quality feed for our operations, as well as to diversify our revenue streams. In particular, the plantation of corn, which is the primary feed for our dairy cows, will provide us with access to silage and corn feeds of higher quality which we expect will enable us to

increase our annual milk yield per cow while maintaining, or further improving, our high milk quality. Furthermore, by expanding our business to include corn plantation, we will be able to reduce our cost of sales per tonne and increase our gross profit margin by reducing the cost of silage and corn feeds, which is a major component of our total cost of sales. To promote our own self-sufficiency and the environmental sustainability of our operations, we also plan to recycle a portion of the processed waste from our operations through our recycling systems to produce fertilizers.

In addition, rather than engaging in downstream operations directly, we plan to develop strategic relationships with renowned international and domestic brands and leaders in the dairy sector to expand downstream into China's high-end dairy products market. We intend to broaden our customer base and gain market recognition in the dairy products industry.

As of the Latest Practicable Date, we did not have a definitive timetable set for commencing our upstream operations or any concrete plans for the downstream expansion of our business.

SAFETY AND ENVIRONMENTAL MATTERS

Occupational Health and Safety

With respect to matters relating to occupational health and safety, we are subject to, among other PRC laws and regulations, the *PRC Production Safety Law* (中華人民共和國安全生產法), the *PRC Labor Law* (中華人民共和國勞動法), the *PRC Labor Contract Law* (中華人民共和國勞動合同法) and the *Regulations on the Prevention and Treatment of Occupational Illness of the PRC* (中華人民共和國職業病防治法).

Under the *PRC Production Safety Law*, we are required to maintain safe working conditions as provided in the *PRC Production Safety Law* and other relevant laws, administrative regulations, national standards and industrial standards. We are also required to provide production safety training to our employees. The design, manufacturing, installation, use, inspection, maintenance, reconstruction and disposal of our equipment are required to conform to the applicable national or industrial standards.

Under the *PRC Labor Law* and the *PRC Labor Contract Law*, we are required to establish a system for labor safety and sanitation, abide by applicable rules and standards and provide training to our employees on relevant rules and standards. We are also required to provide our employees with a work environment that complies with labor safety and sanitation standards set forth in relevant regulations and provide regular health examinations for our employees engaged in hazardous activities.

Pursuant to the *Regulations on the Prevention and Treatment of Occupational Illness of the PRC* (中華人民共和國職業病防治法), we are required to: (i) establish and perfect the responsibility system of occupational illness prevention and treatment, strengthen administration and improve the level of occupational illness prevention and treatment, and bear responsibility for the harm of occupational illness; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational illness, and provide protective articles to the laborers for personal use against occupational illness; and (iv) inform the employees, according to the facts, of the potential harm of occupational illness as well as the consequences thereof and the protective measures and treatment against occupational illness when signing a labor contract with employees. We have developed and implemented measures to monitor and record employee occupation health and safety statistics.

During the Track Record Period, there were no material accidents involving any serious personal injury or significant property damage. As advised by our PRC Legal Advisers, we were in compliance with the laws and regulations on the prevention and treatment of occupational illness in China as of the Latest Practicable Date, and we were not subject to any penalties or disputes relating to any occupational illness.

Environmental Matters

Our business operations do not generate hazardous waste or pollutants that have a significant adverse effect on the environment. The primary waste generated from our operations includes waste water and cow manure, which are treated in compliance with applicable environmental standards in our production facilities. We have implemented a set of waste treatment procedures at our production facilities. For details on our waste management, see "— Our Business Operation — Waste Management." We are subject to environmental protection laws and regulations promulgated by the PRC Government. We are required by the relevant governmental authorities to carry out an environmental impact assessment before constructing new farms. Upon completion of the construction of our farms, we are required to go through and pass an environmental completion acceptance inspection for each of our farms from environmental supervision agencies prior to starting formal production (the "Inspection"). Depending on the requirements of environmental supervision agencies, we may commence trial production and must apply for Inspection by environmental supervision agencies within three months of the trial production period. All of our dairy farms had passed the Inspection as of the Latest Practicable Date. Our PRC Legal Advisers have confirmed that our operations are currently conducted in accordance with the PRC environmental protection laws and regulations in all material respects, except for those disclosed in the non-compliance table in "— Licenses, Regulatory Approvals and Compliance Record." We incurred RMB10.1 million, RMB47.0 million, RMB47.0 million and RMB0.1 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, in capital expenditure relating to our compliance with applicable PRC environmental laws, regulations and policies. We estimate that our capital expenditure relating to environmental matters will be approximately RMB15 million in 2013.

As of the Latest Practicable Date, we had not received any notifications or warnings and had not been subject to any fines or penalties in relation to any breach of any such environmental laws or regulations which has materially adversely affected our production.

INTELLECTUAL PROPERTY

We have applied to the Trade Mark Office (商標局) of SAIC for the PRC trademarks "  " and "  ." As of the Latest Practicable Date, we had registered with the Hong Kong Trade Marks Registry for the marks "  " and "  " as trademarks in Hong Kong in series of color and black and white using simplified Chinese characters. As of the Latest Practicable Date, we were also the registered owner of two domain names, *ystdfarm.com* and *ystdairyfarm.com*.

As of the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, and we were not aware of any such claims, either pending or threatened.

PROPERTIES

We are involved in non-property activities, and we do not have a carrying amount of a property interest that is or is above 15% of our total assets. As a result, we are not required to conduct a property valuation.

Land

Held properties

We did not own any state-owned land use right during the Track Record Period.

Leased properties

As of the Latest Practicable Date, we leased 14 parcels of land, with a total area of approximately 20,331,667 sq.m., which are mainly used for dairy farming and plantation purposes in China. These leases are generally for a term of ten to 50 years. There was no dispute or challenge against us regarding the lease and use of the collectively-owned land. As advised by our PRC Legal Advisers, all the leases are in compliance with the applicable PRC laws and regulations.

The following table sets out a summary of the land leased by us as of 30 June 2013:

Lessor	Use of property	Area (mu)	Area (equivalent to sq.m.)	Duration of lease or land use rights	Expiration Date
The People's Governments of Heiyupao Town and Dongping Town, Zhenlai County, Baicheng City, Jilin (吉林白城市鎮賚縣黑魚泡鎮人民政府、鎮賚縣東屏鎮人民政府)	Dairy farming	3,099.0	2,066,000	30 years	July 2039
Furao Village, Runjin Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣潤津鄉富饒村民委員會)	Dairy farming	1,176.0	784,000	30 years	February 2038
Biantun Middle School (邊屯中學)	Dairy farming	300.0	200,000	30 years	May 2041
Furao Village, Runjin Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣潤津鄉富饒村民委員會)	Plantation	127.3	84,867	approximately 15 years and 8 months	December 2027
Wanfa Village, Kedong Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣克東鎮萬發村村民委員會)	Dairy farming	165.5	110,340	30 years	June 2037
Wanfa Village, Kedong Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣克東鎮萬發村村民委員會)	Plantation	815.2	543,467	30 years	June 2037

Lessor	Use of property	Area (mu)	Area (equivalent to sq.m.)	Duration of lease or land use rights	Expiration Date
Yongsheng Village, Runjin Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣潤津鄉永勝村村民委員會)	Plantation	1,865.7	1,243,807	20 years	July 2032
Jianhua Village, Jincheng Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣金城鄉建華村村民委員會)	Dairy farming	412.0	274,660	30 years	June 2037
Yongsheng Village, Runjin Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣潤津鄉永勝村村民委員會)	Plantation	83.8	55,867	10 years	April 2019
Wanfa Village, Kedong Town, Kedong County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市克東縣克東鎮萬發村村民委員會)	Plantation	191.0	127,333	10 years	December 2020
Fuyu Village, Gannan County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市甘南縣富餘村村民委員會)	Dairy farming	1,479.5	986,333	50 years	December 2057
The People's Government of Baoshan Town, Gannan County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市甘南縣寶山鄉人民政府)	Plantation	10,725.2	7,150,153	20 years	January 2028
The People's Government of Baoshan Town, Gannan County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市甘南縣寶山鄉人民政府)	Plantation	9,384.6	6,256,387	30 years	October 2042
Fuyu Village, Gannan County, Qiqihar, Heilongjiang (黑龍江齊齊哈爾市甘南縣富餘村村民委員會)	Plantation	672.7	448,430	approximately 15 years and 9 months	January 2028

Buildings

Owned buildings on state-owned construction land

We did not own any building on state-owned construction land during the Track Record Period.

Buildings on agricultural facilities land

As confirmed by our PRC Legal Advisers, according to relevant laws and regulations, we do not need to obtain the ownership certificates for the buildings we constructed on agricultural facilities land. As advised by our PRC Legal Advisers, we legally own such buildings on agricultural facilities land and can legally use such buildings without building ownership certificates.

Leased buildings

As of 30 June 2013, we leased space in two buildings of a total gross floor area of approximately 104 sq.m. Both buildings are located in China. In relation to these buildings where we have leases, all of our landlords are entitled to lease the buildings. Our PRC Legal Advisers have confirmed that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements.

The following table sets out a summary of the space in the buildings leased by us as of 30 June 2013:

Lessor	Use of property	Area (sq.m.)	Duration of lease or land use rights	Expiration Date
AIC of Kenqu, Heilongjiang, and Price Control Administration of Kenqu, Heilongjiang (黑龍江省嫩區工商行政管理局和黑龍江省嫩區物價局)	Office use	36.0	1 year	November 2013
Jia Bei (賈蓓)	Office use	68.2	2 years and 1 month	March 2014

Buildings and Structures Currently under Construction

As of the Latest Practicable Date, we did not have any structures under construction.

EMPLOYEES

As of 30 June 2013, we had 952 employees. Based on our proven past experience and the fact that a majority of our staff are milkers, we believe that we will not experience any problems in sourcing skilled workers.

The salaries of our employees largely depend on their type and level of work, and length of service with us. Our employees receive social welfare benefits and other benefits including social insurance. The local bureaus of social insurance have confirmed that we were in compliance with the laws and regulations on social insurance in China. In addition, we opened our housing funds accounts and started to make contributions to housing funds from April 2013. Although we did not make the required contribution to housing funds before April 2013, we have obtained confirmation letters issued by the relevant housing funds management centers confirming that we are not required to make any additional contribution and no penalty will be imposed against us with respect to the housing funds. Except for the above annual contributions, we are not responsible for other employee benefits.

A number of our technical management personnel have worked at the dairy farms for more than three years. During the Track Record Period, we did not experience any material labor disputes with our employees, received any complaints, notices or orders from relevant government authorities or third parties, nor have any claims relating to social insurance or housing funds been made against us. For additional information about certain of our employees, see "Directors, Senior Management and Employees" in this Prospectus.

Our wages, salaries and contributions to staff welfare for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were RMB1.4 million, RMB15.5 million, RMB18.4 million and RMB21.8 million, respectively.

INSURANCE

We have in place insurance policies for all of our dairy cows that are older than 18 months against deaths caused by diseases, accidents and natural disasters. For all of our imported heifers, our suppliers provide insurance during transit until they reach the relevant ports in China. We then purchase insurance policies for them once they fulfill the above condition. We receive subsidies for such insurance premiums from the government. Generally, our insurance policies cover diseases such as FMD, tuberculosis and brucellosis. The maximum compensation under our insurance policies covers a majority of our cost to procure imported replacement heifers. We generally renew our insurance policies on an annual basis. As of the Latest Practicable Date, we had not made any significant claims under these insurance policies. In addition, we have not experienced any material difficulties in renewing our insurance policies since we commenced operations.

Since it is not required by PRC law, and doing so would not be consistent with the usual industry practice in China, we do not carry any product liability insurance or maintain insurance coverage for our main production facilities, equipment and buildings. See "Risk Factors — Risks Relating to Our Business — Our insurance coverage and government compensation may not be sufficient to cover all of our potential losses." for more details.

We also maintain mandatory social security insurance policies for our employees in China pursuant to PRC laws and we make contributions to mandatory social security funds for our employees. See "Directors, Senior Management and Employees" in this Prospectus for further details.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE RECORD

Except for the non-compliance incidents disclosed below, we are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects and had obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in China, including the following three certificates or filings which are necessary for us to carry out our dairy farming business: (i) the Certificate for Animal Epidemic Disease Prevention Condition (動物防疫條件合格證); (ii) the Certificate for Breeding Livestock and Poultry Production and Operation (種畜禽生產經營許可證); and (iii) the Filings for Livestock and Poultry Farms (Zone) (畜禽養殖場(小區)備案申請表).

	Non-compliance incidents	Details of non-compliance incidents	Reasons for the non-compliance	Consequences of non-compliance incidents	Current status	Remedies and internal control measures
1	Failure to make contributions to housing funds before April 2013	For details, see "— Employees" on page 189 of this Prospectus.	The historical non-compliance incidents with respect to the housing funds occurred primarily because: (i) the local governments did not strictly enforce the housing funds policy in Kedong County, Gannan County and Zhenlai County, where our farms are located; and (ii) our employees had no intention to make contributions of the housing funds that they were responsible for.	The relevant housing funds management center will require a company failing to register with such center or open housing funds account to rectify within a specified period of time, otherwise a penalty ranging from RMB10,000 to RMB50,000 will be imposed. In addition, the relevant housing funds management center will require a company failing to make the contribution to housing funds in full or in a timely manner to rectify within a specified period of time, or the company may be ordered to make the required contribution by the courts.	We started to make contributions to housing funds from April 2013, and have obtained confirmations from the relevant housing funds management centers[1], which are the competent governmental authorities, that we are not required to make any additional contribution and no penalty will be imposed on us for failing to make contributions before April 2013. In addition, our Controlling Shareholders have jointly and severally agreed to indemnify us against any penalties or liabilities in connection with such non-compliance. For more information, see "Appendix IV — Statutory and General Information — E. Estate Duty, Tax and Other Indemnities."	Taking into consideration recommendations by an internal control consultant, we have established a set of policies and procedures relating to the contribution to housing funds in accordance with applicable regulations. At each farm, the administration department is responsible for the staff salary calculation and making monthly housing fund contributions. The accounting department is in charge of monitoring the monthly housing fund contributions. For more details on our general internal control measures, please see " — Internal Control Measures to Prevent Recurrence of Non-Compliance Incidents."
2	Failure to register the lease agreements	As of 31 December 2012, we had entered into two lease agreements to lease space in two buildings, with a gross floor area of approximately 104 sq.m. We did not register such lease agreements pursuant to the *Administrative Regulations for Leasing the Commercial Buildings* (商品房屋租賃管理辦法) as of 31 December 2012.	The historical non-compliance incidents with respect to the registration of the lease agreements occurred primarily because: (i) such registration is not of a material nature and our PRC Legal Advisers are of the opinion that non-registration of the lease agreements would not affect the validity of the relevant lease agreements or our rights to continue to use the leased properties pursuant to these agreements; and (ii) our staff lack the relevant legal knowledge and experience to handle the registration of the lease agreements.	Penalties ranging from RMB1,000 to RMB10,000 may be imposed by relevant authorities.	Our Controlling Shareholders have jointly and severally agreed to indemnify us against any penalties or liabilities in connection with such non-compliance. For more details, see "Appendix IV — Statutory and General Information — E. Estate Duty, Tax and Other Indemnities."	We have contacted the landlords and sought their assistance in the lease agreement registrations. We use the leased space in the two buildings for offices, one of which was registered as the place of registration of Ruixinda. If we are unable to register the lease agreements by 31 December 2013 due to their unwillingness to cooperate or other reasons beyond our control, we may need to relocate, which we do not foresee any difficulty because we believe such properties at similar costs are readily available in the market and change of the place of registration is only a matter of administrative process and will not materially adversely affect our business and operation. Taking into consideration recommendations by an internal control consultant, we have established a set of policies and procedures relating to the registration of lease agreements in accordance with applicable regulations. Our administration department is responsible for monitoring the registration of all lease agreements. Furthermore, we have engaged a compliance officer to monitor our internal procedures, including the management of lease agreements, and advise us on relevant matters to prevent similar non-compliance incidents in the future. For more details on our general internal control measures, please see " — Internal Control Measures to Prevent Recurrence of Non-Compliance Incidents."

	Non-compliance incidents	Details of non-compliance incidents	Reasons for the non-compliance	Consequences of non-compliance incidents	Current status	Remedies and internal control measures
3	Production without passing the Inspection	We are required to pass the Inspection and obtain approvals from environmental supervision agencies where our farms are located before we can conduct commercial production. As of 30 June 2013, all of our farms had been producing raw milk without first passing the Inspection and obtaining such approvals.	The historical non-compliance incidents with respect to the Inspection occurred primarily because: (i) it generally takes a considerable length of time for the relevant environmental supervision agencies, which handle a large number of cases and have limited experience and resources, to carry out the Inspection of large-scale and, in particular, mega-scale dairy farms; (ii) we were allowed to produce milk without first passing the Inspection because the local governments intended to promote the local economy and operation of large-scale dairy farms in response to the PRC Government's policy to promote standardized large-scale dairy farming; and (iii) Gannan Oumei Farm and Kedong Oumei Farm did not apply for the Inspection before we acquired them in September 2011.	The competent authorities may order us to suspend our production and/or impose penalties of up to RMB100,000 due to non-compliance.	We obtained express waivers for the non-compliance events from the competent authorities(2) on 30 May 2013. All of our dairy farms had passed the Inspection as of the Latest Practicable Date.	Taking into consideration recommendations by an internal control consultant, we have established a set of policies and procedures relating to obtaining approvals on the Inspection from relevant environmental supervision agencies for future farms. The project team of the construction of each future farm will be in charge of monitoring the progress of construction and commencement of operation of the new farm, including the application and completion of the Inspection. For more details on our general internal control measures, please see " — Internal Control Measures to Prevent Recurrence of Non-Compliance Incidents."

Notes:

(1) As advised by our PRC Legal Advisers, such housing funds management centers, which are at local level, are the authorities in charge of our registrations and payments of housing funds, and therefore, the confirmations from higher level are not necessary.

(2) We obtained express waivers from the competent authorities at local level instead of provincial level because: (i) issuing such express waivers is at discretion, rather than a legal duty, of the relevant local and provincial authorities; (ii) the local authorities, which are responsible for the supervision and administration of environmental protection matters within their territories of jurisdiction, agreed to and are competent to issue the express waivers for the environmental related matters; and (iii) we have applied to the relevant provincial authorities for the Inspection. As advised by our PRC Legal Advisers, the possibility that provincial level authorities would override express waivers issued by local level authorities, or that provincial level authorities would impose any penalties on us for the foregoing historical non-compliance incidents after we have been issued such express waivers, is remote.

INTERNAL CONTROL MEASURES TO PREVENT RECURRENCE OF NON-COMPLIANCE INCIDENTS

We did not make any provision for the non-compliance incidents disclosed above because none of these matters is of a material nature and, based on the confirmation of our PRC Legal Advisers, we have received waivers from the relevant competent authorities regarding the applicable fines and possible administrative orders with respect to the historical non-compliance incidents involving housing funds and the Inspection. In response to the non-compliance incidents disclosed above and in order to prevent the recurrence of non-compliance incidents in the future, we have adopted the following measures:

- in June 2013, our Directors and management attended an internal control training session conducted by PRC Legal Advisers in respect of the compliance with applicable PRC laws and regulations;

- we have engaged an internal control consultant, a reputable firm, to conduct an assessment on our remedial internal control system and procedures relating to the non-compliance incidents. During the assessment, the internal control consultant assessed the design of the remedial internal control system and procedures through walkthrough procedures, such as interviewing responsible personnel for relevant processes, and reviewing relevant documentations. The internal control consultant was also engaged to assess our internal control system and procedures in areas other than the matters relating to the non-compliance incidents, and to advise on relevant matters. Taking into consideration recommendations by the internal control consultant, we have established a set of policies and adopted the internal control measures as disclosed in the table in "— Licenses, Regulatory Approvals and Compliance Record" on pages 191 and 192 of this Prospectus;

- we have engaged Jingtian & Gongcheng, a qualified PRC law firm, as our compliance officer to assist our Board to identify and manage the legal risks associated with our daily operations and advise us on relevant regulatory matters to ensure due compliance with PRC laws, rules and regulations applicable to our Group;

- we have established an audit committee with written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules, led by Mr. Wu Chi Keung. The audit committee and Mr. Wang Shaogang, an executive Director, will supervise the implementation of our internal control measures in order to better monitor our daily operations from the perspective of compliance with applicable rules and regulations;

- we have established a set of policies and procedures for operational processes, including production, investment and financial management;

- we have established a sales contract registration system to better manage our sales contracts and to prevent future breaches of sales contracts;

- we have established a corporate policy on compliance matters, which has been reviewed and approved by our management;

- we have appointed a compliance adviser to advise us on compliance matters pursuant to Rule 3A.19 of the Listing Rules; and

- we have established a training program for those of our Directors, senior management and employees who have responsibilities related to the compliance process under the Listing Rules.

The Directors are of the view that our enhanced internal control measures are adequate and effective. Taking into account the Joint Sponsors' review of our internal control procedures and their discussion with our senior management, the assessments and findings of the internal control consultant, as well as the remedial measures taken and proposed by us in connection with historical non-compliance incidents, the Joint Sponsors, who are not experts in internal control, are not aware of any reasons to disagree with the Directors' view that the enhanced internal control measures are adequate and effective.

Having taken into account the nature and reasons for the historical non-compliance incidents, the confirmations of the relevant competent governmental authorities, and the remedial actions taken by us, our Board is of the view that these non-compliance incidents shall not affect the suitability of the Directors under the Listing Rules and the Company's suitability for listing under the Listing Rules. In addition, in light of: (i) the remedial measures taken by us in respect of the non-compliance incidents as disclosed in "— Licenses, Regulatory Approvals and Compliance Record;" (ii) the circumstances surrounding such non-compliance incidents; and (iii) the view of the Directors that the historical non-compliance incidents did not have any material adverse effect on our operation and business as a whole, the Directors are of the view, and the Joint Sponsors agree, that such non-compliance incidents shall not affect the suitability of the Directors under the Listing Rules and the Company's suitability for listing under the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and Capitalization Issue, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, ZHL Asia Limited and ZHY Asia Limited will in aggregate hold approximately 34.12% of the issued share capital of the Company, where ZHL Asia Limited and ZHY Asia Limited are solely owned by Mr. HL Zhao and Mr. HY Zhao (who is the brother of Mr. HL Zhao), respectively. For the purpose of the Listing Rules, ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao were deemed as the Controlling Shareholders of the Company as of the Latest Practicable Date.

Information on Other Companies Owned by Our Controlling Shareholders

As of the Latest Practicable Date, other than dairy farming and supply of raw milk to dairy products manufacturers carried out by our Group, Mr. HL Zhao and Mr. HY Zhao, being our Controlling Shareholders, also had controlling interest in the companies as mentioned below (collectively, the "Excluded Business"). These companies have investments in companies which are engaged in businesses of different sectors from that of our Group. Brief details of each of the companies under the Excluded Business are as follows:

Name of company	Percentage equity-holding attributable to our Controlling Shareholders	Principal activities
Dinghe Modern	66.7%	Supply of feeds
Dinghe Feeds	60.0%	Supply of feeds
Dinghe Qinggang	66.7%	Supply of feeds
HLJ Beian NKTH	57.5%	Trading, lease of commercial and residential properties

As all the Excluded Business is in sectors different from our Group, our Directors have considered that it is either unnecessary or it is not in the best interest of our Group to include the Excluded Business in our Group for the purpose of Listing in order for us to focus on the principal business of our Group.

In particular, for the supply of feeds by the Dinghe Group ("Feeds Supply Business") was not included as part of our Group in the Reorganization because (i) our Group is not the sole customer of the Feeds Supply Business; (ii) our principal business is dairy farming and not supply of feeds; and (iii) the Dinghe Modern (which is the holding company of other members of the Dinghe Group which is engaged in the Feeds Supply Business) is owned as to 66.7% by our Controlling Shareholders and the remaining equity interests are owned by Independent Third Parties.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section and "Continuing Connected Transactions" in this Prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three INEDs. Mr. HL Zhao, being one of our executive Directors, is a Controlling Shareholder of the Company.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

We have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in the Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Financial Independence

During the Track Record Period, we principally financed our operations through a combination of (i) borrowings from banks; and (ii) cash generated from our operations, as well as (iii) borrowings from our Controlling Shareholders and their respective associates. As of the year-end during the Track Record Period:

(a) our total bank borrowings amounted to about RMB159.9 million, RMB491.5 million and RMB465.0 million, respectively; and

(b) about RMB16.2 million, RMB267.5 million and RMB341.0 million, respectively were borrowings obtained by us from our Controlling Shareholders or their associates, in respect of which no interest was carried.

As of the date of this Prospectus, all loans, advances and balances due to and from our Controlling Shareholders had been fully settled, and all security and guarantees by them in connection with our Group's borrowings have been fully released.

Save as mentioned above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting system, independent treasury function for receiving cash and making payments. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective associates by virtue of their provision of financial assistance.

Operational and administrative independence

During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own company secretary, operational personnel and administrative personnel who are not in the employment of our Controlling Shareholders or their associates. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the Listing.

COMPETITION AND CONFLICT OF INTERESTS

Undertakings Given by Controlling Shareholders

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, the Controlling Shareholders have given a deed of non-compete and other undertakings (the "Non-Compete Undertakings") in favor of the Company (for itself and for the benefits of its subsidiaries) on 7 November 2013, pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group) shall:

(i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the dairy farming business and production and sale of raw milk or dairy products) in the PRC and any other country or jurisdiction in or to which any member of our Group carries on business mentioned above from time to time (the "Restricted Activity");

(ii) not solicit any existing employee or then existing of our Group for employment by it/him or its/his associates (excluding our Group);

(iii) not, without the consent from the Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;

(v) not invest or participate in any Restricted Activity; and

(vi) procure its/his associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) and (vi) are subject to the exception that any of the associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to the Company and our Directors. The Company shall have, after review and approval by our Directors (including our INEDs without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of our Controlling Shareholders invests, participates or engages in the Restricted Activity are substantially the same as or not more favorable than those disclosed to the Company. Subject to the above, if the relevant associate of our Controlling Shareholders decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to the Company and our Directors as soon as practicable.

In the event that the Company decides to carry on, participate, engage or be interested in any business (the "New Business," which may include Feeds Supply Business that is currently engaged by the Dinghe Group) (in addition to its dairy farming business) whether by itself or through any of its subsidiaries and that the New Business competes or may compete directly or indirectly with any business carried on at the relevant time by any of the Controlling Shareholders and/or its associates, whether for its own account or for that of any person and otherwise through the medium of any company which is its associates or as principal, partner, director, employee, consultant or agent ("Relevant Capacity"), each Controlling Shareholder has undertaken jointly and severally to the Company that:

(a) it shall within a period of six months from the date of it being notified by the Company of such decision make or procure to be made an offer to the Company to acquire or otherwise assume its interests in such business on fair and normal commercial terms, provided that the acceptance of such offer shall be subject to the approval of the INEDs of the Company for the time being and compliance with the applicable requirements of the Listing Rules; and

(b) if the offer referred to in item (a) is not accepted by the Company within six months after it is made or such later time as may be necessary for satisfaction of any applicable requirements of the Listing Rules, each Controlling Shareholder shall within a period of two months after the lapse of such offer dispose of or procure the disposal of such business to other third parties who are not associates of the Controlling Shareholder or otherwise cease to carry on, participate or be interested in such business in any Relevant Capacity.

The Non-Compete Undertakings is conditional on (i) the Stock Exchange granting listing of, and permission to deal in, all our Shares in issue and to be issued under the the Global Offering and the Capitalization Issue and our Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

(a) the date on which our Controlling Shareholders and their associates (individually or taken as a whole) ceases to own 30% of the then issued share capital of the Company directly or indirectly or cease to be the Controlling Shareholders for the purpose of the Listing Rules and do not have power to control our Board; and

(b) the date on which our Shares cease to be listed on the Stock Exchange.

Each of our Controlling Shareholders has undertaken under the Non-Compete Undertakings that he or it shall provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Compete Undertakings by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-Compete Undertakings in our annual report.

Confirmation Given by Other Directors

Each Director confirms that he/she does not have any competing business with our Group.

Corporate Governance

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Compete Undertakings, we have adopted the following corporate governance measures:

(a) our INEDs shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-Compete Undertakings by our Controlling Shareholders;

(b) we will disclose any decisions on matters reviewed by our INEDs relating to compliance and enforcement of the Non-Compete Undertakings either through our annual report or by way of announcement;

(c) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Compete Undertakings have been complied with and enforced; and

(d) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Compete Undertakings, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Bye-laws.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OVERVIEW

During the Track Record Period, we entered into certain transactions with connected persons of the Company. We also sell raw milk to Feihe Dairy Group (being deemed by the Stock Exchange as a connected person pursuant to Rule 14A.06 of the Listing Rules) which we agree to undertake to comply with Chapter 14A of the Listing Rules' requirements. These transactions will continue after the Listing Date, thereby constituting continuing connected transactions of the Company under the Listing Rules. Brief details of these continuing connected transactions are set out below:

Name of connected person	Relationship with the Company	Nature of transaction	Term	Applicable Listing Rules	Waiver sought
1(a) Dinghe Modern	A company whose 66.7% equity interest is owned by Mr. HL Zhao (a Controlling Shareholder and a Director), hence his associate	Supply of feeds to our Group for our dairy cows	26 months from 1 November 2013 to 31 December 2015	Rule 14A.47 to 14A.54	Applied for and granted under Rule 14A.42
1(b) Dinghe Feeds	A company whose 90% equity interest is owned by Dinghe Modern				
1(c) Dinghe Qinggang	A company wholly owned by Dinghe Modern				
2 Feihe Dairy HLJ	One of our customers and an Independent Third Party	Purchase of raw milk from our Group	26 months from 1 November 2013 to 31 December 2015	Rule 14A.47 to 14A.54	Applied for and granted under Rule 14A.42

These connected transactions will continue after the Listing.

Connected Persons

1. Dinghe Group

Mr. HL Zhao is one of our Controlling Shareholders and an executive Director. He owns 66.7% equity interest in Dinghe Modern which in turn owns 90% and 100% equity interest in Dinghe Feeds and Dinghe Qinggang, respectively. Being an associate of Mr. HL Zhao, each of Dinghe Modern, Dinghe Feeds and Dinghe Qinggang will be a connected person of the Company under Rule 14A.11(4) of the Listing Rules following the Listing.

The respective date of establishment and principal businesses of Dinghe Modern, Dinghe Feeds and Dinghe Qinggang are as follows:

Name of connected person	Date of establishment	Principal business
Dinghe Modern	16 March 2011	Supply of corn, wet corn, flaked corn and alfalfa
Dinghe Feeds	25 July 2011	Supply of flaked corn, corn starch, alfalfa and oats
Dinghe Qinggang	13 April 2011	Supply of alfalfa, oaten hay and oat; plantation and harvest of alfalfa and oats

2. Feihe Dairy Group

Feihe Dairy Group (comprising Feihe Dairy HLJ and its subsidiaries) is not a connected person of the Company for the purpose of Rule 14A.11 of the Listing Rules. However, due to our past relationship and transactions with Feihe Dairy Group as disclosed in "History, Development and Reorganization — Our Relationship with Feihe Dairy Group," it is deemed by the Stock Exchange as our connected person after Listing pursuant to Rule 14A.06 of the Listing Rules. As such, the Company agrees to undertake to comply with Chapter 14A of the Listing Rules' requirements in respect of the transactions with Feihe Dairy Group from the Listing Date.

Transaction Amounts during the Track Record Period

1. Dinghe Group

During the Track Record Period, we sourced feeds from the Dinghe Group and sold raw milk to Feihe Dairy Group. The respective transaction amounts between our Group and our connected persons are summarized below:

	Aggregate purchase amounts (RMB million)			
Relevant connected transactions	for the year ended 31 December			for the six months ended 30 June
	2010	2011	2012	2013
Supply of feeds by the Dinghe Group to our Group for our dairy cows	0	3.71	22.09	12.29

2. Feihe Dairy Group

	Aggregate sales amounts (RMB million)			
Relevant connected transactions	for the year ended 31 December			for the six months ended 30 June
	2010	2011	2012	2013
Purchase of raw milk by Feihe Dairy Group from our Group	0.37	52.85	91.67	94.81

Master Agreements

1. Dinghe Master Agreement

For purpose of complying with Rule 14A.35 of the Listing Rules, on 1 November 2013, (a) Ruixinda and Ruixincheng on the one part and (b) Dinghe Modern, Dinghe Feeds and Dinghe Qinggang (for themselves and on behalf of their subsidiaries from time to time) on the other part entered into a master agreement (the "Dinghe Master Agreement") for the supply of various feeds (including corn silage, alfalfa, corn starch, wet corn, flaked corn, oaten hay and oat), respectively. The principal terms of the Dinghe Master Agreement are summarized below:

Contract period:	26 months from 1 November 2013 to 31 December 2015
Determination of purchase price and other terms:	For each order to be placed under the Dinghe Master Agreement, the purchase price or consideration, the quantity and specifications of feeds concerned, the time and place of delivery of the feeds concerned and other relevant matters will be negotiated by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of the raw materials and accessories required for the supplying of the products concerned, as well as (where applicable) prevailing market prices of similar products which may be sourced from other Independent Third Parties.
Payment term:	Generally, to be settled on accrual basis, with a credit term of no more than one month, during which no interest will accrue.
Early termination:	Our Group (but not Dinghe Group) may, at any time during the contract term, give the other not less than three months' prior written notice to terminate the agreement.

2. Feihe Master Agreement

As mentioned above, Feihe Dairy Group is deemed by the Stock Exchange as a connected person of the Company pursuant to Rule 14A.06 of the Listing Rules and as such the Company agrees to undertake to comply with Chapter 14A of the Listing Rules' requirements in respect of the transactions with Feihe Dairy Group from the Listing Date. For the purpose of complying with Rule 14A.35 of the Listing Rules, on 1 November 2013, (a) Ruixinda and Ruixincheng on the one part and (b) Feihe Dairy HLJ (for itself and on behalf of its subsidiaries) entered into a master agreement (the "Feihe Master Agreement") for the purchase of raw milk. The principal terms of the Feihe Master Agreement are summarized below:

Contract period:	26 months from 1 November 2013 to 31 December 2015

Determination of purchase price and other terms: For each order to be placed under the Feihe Master Agreement, the purchase price or consideration, the quantity and quality of milk concerned, the time and place of delivery of the milk concerned and other relevant matters will be negotiated by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of the raw milk, as well as (where applicable) prevailing market prices of similar products which may be sourced from other Independent Third Parties.

Payment term: Generally, to be settled on accrual basis, with a credit term of no more than one month, during which no interest will accrue. (Note)

Early termination: Both parties may, at any time during the contract term, give the other not less than three months' prior written notice to terminate the agreement.

Note: Payment will be made by Feihe Dairy HLJ through a set-off arrangement pursuant to the Supplemental Milk Supply Agreement. For further details, please refer to "History, Development and Reorganization — Our Relationship with Feihe Dairy Group."

Expected Annual Caps

Our Directors estimate that the annual transaction amount for the (i) purchases of relevant feeds under the Dinghe Master Agreement and (ii) sales of raw milk for the three years ending 31 December 2015 will not exceed the following annual caps set forth in the table below:

Relevant connected transactions	**Expected annual caps (RMB million) for the year ending 31 December (the "Annual Caps")**		
	2013	**2014**	**2015**
Supply of feeds by Dinghe Group to our Group	30	39	50.7
Purchase of raw milk by Feihe Dairy Group from our Group	320	520	660

In determining the above Annual Caps, our Directors have considered generally:

(a) the historical transaction amounts as set forth in "— Transaction Amounts during the Track Record Period;"

(b) the target growth in demand of our Group for the products under the Dinghe Master Agreement and the target sales of our Group under the Feihe Master Agreement for the three years ending 31 December 2015, having taken into account our expansion plan;

(c) the inflation rate of the PRC during the Track Record Period;

(d) the anticipated market prices of the relevant feeds and raw milk under the Dinghe Master Agreement and Feihe Master Agreement, respectively;

and specifically for transactions between our Group and Dinghe Group:

(e-1) the production capacity of each of Dinghe Modern, Dinghe Feeds and Dinghe Qinggang;

(e-2) location factors, time and cost of delivering the purchases and distance of the existing suppliers from our existing farms and also our farms under planned construction;

and specifically for transactions between our Group and Feihe Dairy Group:

(f-1) the anticipated substantial increase in the production capacity of our Group in 2014, which is expected to be mainly due to (i) that there will be positive impact on the average milk yield in the next two years with a larger proportion of our cows reaching their third and fourth lactation cycles; and (ii) the increase in number of our milkable cows as a result of our organic growth of herd size. Apart from the above reasons, the production capacity of our Group is anticipated to be further increased with the commencement of operation of our four new farms in 2015;

(f-2) the anticipated supply dynamics of raw milk in China, the further elimination of individual and small scale dairy farms in China and the percentage of our estimated total sales volume to Feihe Dairy Group, as the raw milk sales from our Group to Feihe Dairy Group during the three months ended 30 September 2013 amounted to 110.1% of our raw milk sales to Feihe Dairy Group of RMB94.8 million during the six months ended 30 June 2013;

(f-3) the volume of milk supply to Feihe Dairy Group taking into account the raw milk priority supply term in the supplemental agreement we entered into with Feihe Dairy HLJ in April 2013, pursuant to which Feihe Dairy HLJ has priority to purchase our raw milk under the same conditions as those governing our contracts with other dairy products manufacturers (please refer to "Business — Sales and Marketing — Contract Terms" in this Prospectus);

(f-4) the anticipated demand dynamics of raw milk in China, the anticipated increased demand for high-end dairy products and high quality raw milk; and the anticipated demand from Feihe Dairy Group for its high-end dairy products production; and

(f-5) the anticipated average selling prices of raw milk under the Feihe Master Agreement to be sold to Feihe Dairy Group, based on the increase in average selling price of our raw milk per kilogram of about 6.25% during the period from May 2013 to October 2013.

The following table sets out the historical results of our Group's purchases of feeds from Dinghe Group:

	For the year ended 31 December			For the six months ended 30 June
	2010	2011	2012	2013
Total feeds purchases from our connected persons (RMB'000)	—	3,710	22,090	3,055
Total herd size of our Group's farms	7,893	32,219	37,000	38,788
Percentage of total feeds purchased from Dinghe Group account for our total feeds purchases	0%	1%	4.1%	1.3%

From 2011 to 2012, our Group recorded about 15% to 20% annual growth rate in the total herd size of our farms and the growth rate is expected to be similar in the two years after Listing. As of 31 December 2012, our Group's four operating farms had a total spare capacity of 14,000 dairy cows. We will construct five additional new farms with an additional capacity of 57,450 dairy cows in the next three years. Upon completion of the farms under construction, we expect our farms to have a total capacity of more than 90,000. On such basis, it is expected such growth rate and demand for feeds will remain steady after Listing. Having regard to the market price increase and inflation rate, the feeds price increase is expected to be approximately 5% per year. In addition, the Company may seek more domestic supply of feeds to reduce the amounts imported from other countries, as long as the feeds produced locally are of the same quality as imported ones. Such strategy may lead to 5% further increase in feeds purchased from Dinghe Group. As such, an annual increase of approximately 30% would be applied towards our Group's expected annual caps for purchases under the Master Agreement for each of the years ending 31 December 2013, 2014 and 2015. Based on the historical figures of our total feeds purchased from our connected persons shown in the table above and also the production capacity of the Dinghe Group, it is expected that about 6% of our total feeds would be purchased from our connected persons after Listing.

The following table sets out the historical results of our Group's sales of raw milk to Feihe Dairy Group:

	For the year ended 31 December			For the six months ended 30 June
	2010	2011	2012	2013
Percentage of our Group's total sales amount which Feihe Dairy Group accounted for	100%	35%	13%	25%
Total amount of sales of raw milk to Feihe Dairy Group (RMB million)	0.37	52.85	91.67	94.81

We expect that our business scale and sales volume will further increase for the next three years due to organic growth of our herd and expansion plan to build new farms. In the first half of 2013, the sales to Feihe Dairy Group accounted for 25% of our total sales. Considering the increased demand for quality raw milk and decreased supply of raw milk as a result of culling of cows in China by individuals and small-scale farms due to low cost effectiveness, which already happened in the first half of 2013, the percentage of sales to Feihe Dairy Group of our Group may further increase. As such, we apply Annual Caps of RMB320 million, RMB520 million and RMB660 million for sales to Feihe Dairy Group in the three years ending 31 December 2015 under the Feihe Master Agreement.

Listing Rules Implications

In respect of the purchases of feeds by our Group under the Dinghe Master Agreement, the Annual Caps for each of the three years ending 31 December 2015 would not exceed RMB30 million, RMB39 million and RMB50.7 million, respectively. For each of the three years ending 31 December 2015, given that the highest applicable percentage ratio of the transactions contemplated under the Master Agreement is expected to be more than 5% but less than 25% and the annual consideration is not less than HK$10 million, such transactions are subject to the reporting, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Feihe Dairy Group is deemed by the Stock Exchange as a connected person of the Company after Listing pursuant to Rule 14A.06 of the Listing Rules and as such the Company agrees to undertakes to comply with Chapter 14A of the Listing Rules' requirements for the transactions with Feihe Dairy Group. In respect of the sales of raw milk by our Group under the Feihe Master Agreement, the Annual Caps for each of the three years ending 31 December 2015 would not exceed RMB320 million, RMB520 million and RMB660 million, respectively. For each of the three years ending 31 December 2015, given that the highest applicable percentage ratio of the transactions contemplated under the Feihe Master Agreement is expected to be more than 25% and the annual consideration is not less than HK$10 million, such transactions are subject to the reporting, announcement and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONFIRMATIONS

Directors' Confirmation

Our Directors (including our INEDs) confirm that the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of our Group's business, on normal commercial terms or on terms no less favorable to the Company than those available from Independent Third Parties, and are fair and reasonable and in the best interests of the Company and our Shareholders as a whole. In addition, our Directors (including our INEDs) further confirm that the proposed Annual Caps in respect of the above continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

Joint Sponsors' Confirmation

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms or on terms no less favorable to the Company than those available from Independent Third Parties; and (ii) such transactions and the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

On the above basis, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from compliance with the requirements under Rule 14A.47 to 14A.54 of the Listing Rules in respect of the above continuing connected transactions. We will, after Listing, comply with the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to Rule 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

Directors' Confirmation

The Directors, including the INEDs, confirm that the continuing connected transaction described above was entered into in the ordinary and usual course of business of the Company, on normal commercial terms and are fair and reasonable to the Company on the basis that the terms thereof are no less favorable to the Company than terms offered by Independent Third Parties, and therefore are in the interests of our Shareholders and the Company as a whole.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of four executive Directors, two non-executive Directors and three INEDs.

Name	Age	Position	Date of first becoming a Director	Roles and responsibilities
Mr. Zhao Hongliang (趙洪亮)	47	Executive Director and chairman of our Group	4 May 2012	Overall strategic development of our Group
Mr. Wang Shaogang (王紹崗)	50	Executive Director and vice chairman of our Group	4 May 2012	Overall corporate and business policies of our Group
Mr. Fu Wenguo (付文國)	46	Executive Director and chief executive officer of our Group	4 May 2012	Overall operations of our Group
Ms. Su Shiqin (蘇士芹)	47	Executive Director and chief financial officer of our Group	4 May 2012	Financial reporting and business planning of our Group
Mr. Sun Wei (孫瑋)	34	Non-executive Director	30 April 2013	Attend meetings and decision-making processes of our Board to perform duties as a board member but not participating in the day-to-day management of our business operations
Mr. Lau Ho Fung (劉浩峰)	31	Non-executive Director	30 April 2013	Attend meetings and decision-making processes of our Board to perform duties as a board member but not participating in the day-to-day management of our business operations
Mr. Wu Chi Keung (胡志強)	56	INED	7 November 2013	See note below
Mr. Zhang Yuezhou (張月周)	49	INED	7 November 2013	See note below
Mr. Zhu Zhanbo (朱戰波)	43	INED	7 November 2013	See note below

Note: Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be).

Executive Directors

Mr. Zhao Hongliang (趙洪亮), aged 47, is an executive Director and the chairman of our Group. He is primarily responsible for the overall strategic development of our Group. Mr. HL Zhao completed his high school education in July 1983.

Background of Mr. HL Zhao as our founder

Mr. HL Zhao is the founder of our Group. He has past experience in raising dairy cows and cattle management in Heilongjiang Province, the PRC. Since 1995, he started to invest in various sectors in China including real properties, trading of construction materials and mining. At the same time, he had been all along paying close attention to the dairy farming industry in the PRC. In 2008, he was awarded as one of the "Outstanding Private Entrepreneurs"* (優秀民營企業家), and in the following year, he was awarded as one of "Top Ten Outstanding Young Entrepreneurs of the Farming District of Heilongjiang" (黑龍江墾區十大傑出青年企業家). Mr. HL Zhao has accumulated substantial experience in making investments in China and has maintained a sound financial capability.

In 2008, Mr. HL Zhao invested in the dairy farming industry in the PRC and as a result, our first operating entity, namely YST Heilongjiang, was established in September 2008.

Before 1996, Mr. HL Zhao worked in Zhao Guang Farm* (趙光農場) which was a state-owned business in Heilongjiang Province. Some brief details are set out as follows:

Period of time	Name of entity	Principal functions
May 1979 to September 1983	Zhao Guang Farm* (趙光農場) in Heilongjiang Province	Raising of dairy cows and cattle management
September 1983 to December 1995	Rubber factory in Zhao Guang Farm* (趙光農場) in Heilongjiang Province	Factory management

Mr. Wang Shaogang (王紹崗), aged 50, is an executive Director and the vice chairman of our Group. He is primarily responsible for overall corporate and business policies of our Group. Mr. Wang graduated from the Shanghai Light Industry Institute* (上海輕工業專科學校) (now The Shanghai Institute of Technology* (上海應用技術學院)) in 1989, majoring in food engineering.

Mr. Wang joined our Group since its establishment in September 2008 as the general manager of our Group and was then in charge of the supervision of the daily business management of our Group (including the operation of our farms). In June 2012, he was appointed as the vice chairman of our Group. He is also a member of the senior management of our Group.

Before he joined our Group, he worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
September 1989 to May 2001	Yanwodao Dairy 853 Farm* (853農場雁窩島乳業)	Technician, head of enterprise management department, deputy factory manager	General management of dairy products factory
June 2001 to December 2003	Heilongjiang Wonder Sun Dairy Co., Ltd.* (完達山乳業有限公司)	Commissioner of the public relations department and deputy factory manager	Public relations and general management of dairy products factory
March 2004 to December 2007	Feihe Dairy HLJ (then a member of Feihe Dairy Group)	Head of factory and deputy general manager	General management of dairy products factory

Mr. Fu Wenguo (付文國), aged 46, is an executive Director, the chief executive officer and the general manager of our Group. He is primarily responsible for overseeing the overall operations of our Group. Mr. Fu graduated from the Shanghai Light Industry Institute* (上海輕工業專科學校) (now The Shanghai Institute Technology* (上海應用技術學院)) in 1989.

Mr. Fu joined our Group in December 2011 and was then in charge of overseeing the overall operations of our Group. Since January 2012, Mr. Fu has been assuming the office of general manager of our Group. He is also a member of the senior management of our Group.

Before he joined our Group, Mr. Fu worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
September 1989 to October 1996	(Heilongjiang Lindian County Mega Wave Farm Dairy Factory*) 黑龍江省林甸縣巨浪牧場乳品廠	Deputy head of factory of the production department	Oversee production operations
October 1996 to February 2001	Heilongjiang Hewang Dairy Group Jiangxue Co., Ltd.* (黑龍江省鶴王乳業集團江雪有限公司)	Manager	Oversee production operations
February 2001 to February 2004	Heilongjiang Feihe Dairy Group Kedong Company* (黑龍江飛鶴乳業集團克東公司)(a then member of Feihe Dairy Group)	General manager	Oversee overall operations
February 2004 to April 2008	Heilongjiang Feihe Dairy Group Shanxi Feihe Company* (黑龍江飛鶴乳業集團山西飛鶴公司) (a then member of Feihe Dairy Group)	General manager	Oversee overall operations
April 2008 to December 2011	Jilin Alf Beta Dairy Co., Ltd.* (吉林艾倍特乳業有限公司)	Chairman and general manager	Oversee overall operations

Ms. Su Shiqin (蘇士芹), aged 47, is an executive Director and the chief financial officer of our Group. She is primarily responsible for financial reporting and business planning of our Group. She graduated from Changchun Finance College* (長春金融高等專科學院) majoring in accounting and finance in 1998. She is also a holder of the certificate of accounting professional.

Ms. Su joined our Group in September 2011 and was then in charge of financial reporting and business planning of our Group. Since then, Ms. Su has been assuming the office of chief financial officer of our Group. She is also a member of the senior management of our Group.

Before she joined our Group, Ms. Su worked or assumed offices (as the case may be) in the following companies or entities:

Period of Time	Name of employer/entity	Office	Principal functions
February 1984 to May 2003	Zhao Guang Farm (Division 16)* (趙光農場(16隊))	Accounting officer	Accounting and financial reporting activities
January 2004 to October 2007	Heilongjiang Heihe Beian Zhaoguang Farm (4th District)* (黑龍江省趙光農場第四管理區)	Accounting officer	Accounting and financial reporting activities
November 2007 to September 2011	Feihe Dairy Group	Head of finance department of YST Heping and Ruixinda Gannan	Oversees financial accounting and reporting activities

Non-executive Directors

Mr. Sun Wei (孫瑋), aged 34, was appointed a non-executive Director with effect from 30 April 2013. Mr. Sun is one of the principals in the Ares Private Equity Group. Mr. Sun joined Ares Management LLC in July 2010 from AIG Global Investment where he had been employed since February 2005 in its Shanghai office. From November 2003 to February 2005, Mr. Sun was with KPMG in its corporate finance department as an assistant manager in its Shanghai office. Mr. Sun graduated with merits from the London School of Economics in 2003 with a master degree in Accounting and Finance, after he graduated from the Shanghai International Studies University* (上海外國語大學) with a Bachelor of Arts in Economics, majoring in International Finance in 2001.

Mr. Lau Ho Fung (劉浩峰), aged 31, was appointed a non-executive Director with effect from 30 April 2013. Mr. Lau is a private equity associate of VMS Investment Group where he is mainly engaged in deal screening, due diligence, and execution of private equities transactions in the greater China region. He has become a Chartered Financial Analyst charter-holder since 2009 and received a bachelor's degree in Information System and Software Engineering from the University of Hong Kong in 2005. Mr. Lau has around seven years of experience in private equities and asset management industries. Prior to joining VMS Investment Group, Mr. Lau worked as a research analyst trainee at Phoenix Capital Asia Limited during October 2005 and October 2006 and received training on a broad range of fundamental analysis. From November 2006 to May 2010, Mr. Lau worked at Tempus Investment Group where he joined the company as an assistant analyst and was later promoted to a research analyst. During that period, Mr. Lau's responsibilities included conducting industry and company analyses in Hong Kong and China markets and recommending investments.

Independent Non-executive Directors

Mr. Wu Chi Keung (胡志強), aged 56, was appointed an INED with effect from 7 November 2013. Mr. Wu has more than 30 years of experience in financial audit and specializes in providing auditing and assurance services, financial due diligence reviews, support services for merger and acquisitions, corporate restructuring and fund raising engagements. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently the managing director of a family-owned private company engaging in property and other investment activities.

Mr. Wu is an associate of Hong Kong Institute of Certified Public Accountants and a fellow of Association of Chartered Certified Accountants in the United Kingdom. He graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1980 with a high diploma in accountancy. Mr. Wu is the INED who has the qualifications and experience (as mentioned above) to meet the requirements under Rule 3.10(2) of the Listing Rules.

As of the Latest Practicable Date and in the three years preceding that date, Mr. Wu held directorship in the following listed companies:

Name of listed issuer	Place of listing	Office and principal functions (if an executive)
Huabao International Holdings Limited (stock code: 336)	Hong Kong	Independent non-executive Director
Jinchuan Group International Resources Co., Ltd. (stock code: 2362)	Hong Kong	Independent non-executive Director
GreaterChina Professional Services Limited (stock code: 8193)	Hong Kong	Independent non-executive Director
Zhong Fa Zhan Holdings Limited (stock code: 475)	Hong Kong	Independent non-executive Director
China Renji Medical Group Limited (stock code: 648)	Hong Kong	Independent non-executive Director
China Medical System Holdings Limited (stock code: 867)	Hong Kong	Independent non-executive Director
JF Household Furnishings Limited (stock code: 776)	Hong Kong	Independent non-executive Director (until 5 October 2012)

Mr. Zhang Yuezhou (張月周), aged 49, was appointed an INED with effect from 7 November 2013. Currently, Mr. Zhang is engaged in the provision of dairy farm management consultancy services in the PRC. Mr. Zhang was awarded a bachelor's degree in animal husbandry in July 1987 and a master's degree in agricultural extension from Nanjing Agricultural University (南京農業大學) in 2006. Mr. Zhang obtained the qualification of animal husbandry expert in the PRC in May 1995.

Mr. Zhang started his full-time work in July 1987. From then on, he worked or assumed offices (as the case may be) in the following companies or entities:

Period of time	Name of employer/entity	Office	Principal functions
July 1987 to September 1992	Gansu Agricultural University (甘肅農業大學)	Teacher	Teaching staff in the Department of Animal Husbandry
October 1992 to February 1999	Xi'an City Dairy Science Institute* (西安市奶業科學研究所)	Officer in charge	Breeding dairy farm management, assist the Canadian specialist with marketing dairy cattle breeding and management techniques
April 2000 to December 2000	Shanghai ABN Huinong Feed Co., Ltd* (英聯飼料（上海）有限公司)	Manager of the ruminant department	Team building and development of a national feed market for ruminant

Period of time	Name of employer/entity	Office	Principal functions
January 2003 to February 2006	Diamond V (Shenzhen) Biological Fermentation Technology Co., Ltd.* (達農威生物發酵工程技術（深圳）有限公司)	Marketing and sales executive	Marketing of products in the PRC, sales and the management of sales department
March 2006 to February 2007	DeLaval (Shanghai) Co., Ltd. (利拉伐（上海）有限公司)	Managing director	Responsible for the operation of its companies in China
March 2006 to February 2010	DeLaval East Asia Co., Ltd.* (利拉伐東亞公司)	Farm management consultation manager	Guide and develop the dairy management consulting business, to provide large-scale dairy farm paid technical services and to assist in improving dairy production levels and efficiency
Since March 2010	Shanghai Yuanfan Farming Technology Co. Ltd.* (上海源凡牧業科技有限公司)	General Manager	Overseeing overall operations

Mr. Zhu Zhanbo (朱戰波), aged 43, was appointed an INED with effect from 7 November 2013. Mr. Zhang has experience in teaching and scientific research for 20 years. Mr. Zhang graduated from Heilongjiang Bayi Agricultural University* (黑龍江八一農墾大學) in veterinary science in July 1993, and obtained a master's degree from the Department of Animal Science and Technology of the same university July 2004. He further obtained a doctorate degree from the Jilin University (吉林大學) in July 2012.

By profession, he is an university professor. Mr. Zhu started his full-time work in July 1993. Since then, he served as a working staff at Heilongjiang Bayi Agricultural University* (黑龍江八一農墾大學) in the following positions:

Period of time	Office	Principal functions
July 1993 to September 1998	Teaching assistant at the animal husbandry and veterinary department	Teaching and research work of animal husbandry and veterinary science
September 1998 to September 2003	Lecturer of the school of animal science and technology	Deliver lectures and research work on animal science and technology
September 2003 to September 2008	Associate professor of the school of animal science and technology	Deliver lectures and research work on animal science and technology
July 2004 to the Latest Practicable Date	Master postgraduates tutor of the school of animal science and technology	Deliver classes for Masters degree courses
September 2008 to the Latest Practicable Date	Professor of the school of animal science and technology	Deliver lectures and research work on animal science and technology

General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules.

Save as disclosed above, none of our Directors:

(i) held any other positions in the Company or other members of our Group at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of the Company as of the Latest Practicable Date; and

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

Senior Management

Mr. Wang Shaogang, Mr. Fu Wenguo and Ms. Su Shiqin, all being executive Directors, are also senior management of our Group.

Mr. Wang Yongxin (王永信), aged 35, is the deputy general manager of our Group. Currently, he is primarily responsible for health care of cattle of our farms and production and operations management of our Group. Mr. Wang graduated from the Southwest Agricultural University* (西南農業大學) in Veterinarian Science in 2001. He also obtained the certificate of middle-level veterinary in 2006.

Mr. Wang joined our Group in December 2009 and was then in charge of supervision and overall management of our Kedong YST Farm. During the period of his office with our Group, Mr. Wang assumed the following offices and was then in charge of the functions mentioned below:

Period of time	Office	Principal functions
December 2009 to March 2012	Head of farm	Supervision and overall management of Kedong YST Farm
March 2012 to the Latest Practicable Date	Deputy general manager	Monitoring the health of cattle and production and operations management of the operating subsidiaries of our Group

Before he joined our Group, he worked or assumed offices (as the case may be) in the following companies or entities:

Period of time	Name of employer/entity	Office	Principal functions
July 2001 to October 2004	Canton American Flower Lounge Livestock Company Limited* (廣美香滿樓畜牧有限責任公司)	Veterinarian and head of veterinarian	Health control and treatment of cows
November 2004 to February 2008	Inner Mongolia Mengniu Austasia Model Dairy Farm Company Limited (內蒙古蒙牛澳亞示範牧場有限責任公司) (now the Helingeer Modern Farming Co., Ltd * (現代牧業和林格爾牧場))	Veterinarian, head of veterinarian, ranch assistant manager	Health control and treatment of cows
March 2008 to November 2009	Yili Left-Banner Modern Husbandry Science and Technology Model Zone* (伊利土左現代牧業科技示範園區) (now the Inner Mongolia Yili Animal Husbandry Development Co. Ltd.* (內蒙古伊利畜牧發展有限公司))	Ranch assistant manager	Provide assistance to the head of farm in relation to dairy farm management

Mr. Luo Qinghua (羅清華), aged 33, is the deputy technical manager of our Group. Currently, he is primarily responsible for technical support and technology project management of our Group. Mr. Luo was awarded a Bachelor Degree in Animal Science from the Sichuan Agricultural University (四川農業大學) in 2004.

Mr. Luo joined our Group in April 2009 as directors of YST Honghai and YST Sifang (which are in preparation stage of dairy farming operations). Since September 2011, Mr. Luo assumed the following offices and was then in charge of the functions mentioned below:

Period of time	Office	Principal functions
September 2011 to March 2012	Head of enterprise management department	Supervision and assessment of dairy farm management of our Group
March 2012 to the Latest Practicable Date	Deputy technical manager	Technical support and technology project management of our Group

Before he joined our Group, he worked or assumed offices (as the case may be) in the following companies or entities:

Period of time	Name of employer/entity	Office	Principal functions
February 2003 to August 2005	Chengdu Daye Embryonic Biological Engineering Co. Ltd.* (成都大業胚胎生物工程有限責任公司)	Technician and head of farm	Production of dairy cattle embryo transplant and cattle production management
August 2005 to December 2006	XY Breeding Livestock Co., Ltd.* (XY種畜(天津)有限公司)	Head of technical department	Technical support
December 2006 to April 2008	Ma On Shan Modern Farm Co., Ltd.,* (馬鞍山現代牧場有限公司)	Head of feeding	Management of feeding, calf and bed maintenance
May 2008 to April 2009	Feihe Dairy HLJ (then a member of Feihe Dairy Group)	Head of enterprise management department and the assistant to general manager	Supervision and assessment of dairy farm management

Joint Company Secretaries

Mr. Liu Gang (劉剛), aged 39, was appointed as one of our joint company secretaries on 7 November 2013. Mr. Liu was awarded a bachelor's degree in automation, majoring in measuring and control technology and instrumentations, from the Yanshan University* (燕山大學) in July 1999. Mr. Liu joined our Group in January 2012 and was mainly responsible for providing assistance to the chairman of our Group.

Period of time	Name of employer/entity	Office	Principal functions
October 1999 to July 2002	Shenzhen Huafa Electronics Co., Ltd.* (深圳華髮電子股份有限公司)	Assistant technician	Engaging in electronic board process development
July 2002 to December 2004	Shenzhen Comtech International Electronics Co., Ltd.* (深圳市科通國際電子有限公司)	Sales technician	Provide pre-sales technical support
January 2004 to December 2012	Shenzhen Deruibao Investment Advisory Co., Ltd.* (深圳市德瑞寶投資顧問有限公司)	Investment manager; Chief investment officer	Investment advisory services

Mr. Kwok Siu Man ("Mr. Kwok"), aged 54, is our other joint company secretary (who has been appointed by our Board and so nominated by Boardroom Corporate Services (HK) Limited ("**BCS**") under an engagement letter made between the Company and BCS, pursuant to which BCS has agreed to provide certain corporate secretarial services to the Company). Prior to joining our Group, between 1 February 2011 and 14 March 2013, he has been the company secretary of a number of companies of the same group listed on the Growth Enterprise Market and the Main Board of the Stock Exchange, respectively and a company of a related group listed on the Main Board of the Stock Exchange

concurrently. He had about 25 years' legal, corporate secretarial and management experience gained from listed companies in Hong Kong (including Hang Seng Index Constituent and Hang Seng Mid-Cap Index stock companies) and overseas. He was the managing director of a financial printer in Hong Kong with international affiliation and a director of a property management company for residential properties and has been a director of a charity fund since its incorporation in 1992.

Mr. Kwok is a fellow of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England and The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. In addition, he matriculated from Queen's College, Hong Kong, holds a bachelor's degree of arts (with honors) and a post-graduate diploma in laws and has passed the Common Professional Examinations in England and Wales. In 1999, he received induction into the International WHO's WHO of Professionals, an international organization which establishes a network of international elite professionals. He was one of the adjudicators for the "Best Annual Reports Awards" organized by the Hong Kong Management Association in the early 1990's and the late 2000's.

Having been the reviewer and the chief examiner of the "Hong Kong Company Secretarial Practice/Corporate Secretaryship" of the international qualifying examinations of the HKICS and participated in the review of the Hong Kong law variant modules thereof for about a decade, Mr. Kwok holds the record of being the HKICS's longest-serving council member and director (i.e. for 18 years). Further, he was a member of the Board of Review appointed by the Hong Kong government under the Inland Revenue Ordinance and has been acting as an external examiner/adviser/member of the validation panel of corporate management courses organized by recognized academic and vocational institutions in Hong Kong since the mid-1990's.

Human Resources

The Company maintains good employee relations. The Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, the Company has not suffered from any material disruption of its normal business operations as a result of labor disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

As of 30 June 2013, we had approximately 952 employees, all of whom are located in the PRC. The following table shows a breakdown of our employees by function as of 30 June 2013.

Functions	Number
Production and operations	805
Management	117
Finance, administration and legal services	26
Corporate finance	4
Total	952

Benefits and Social Insurance

As required by the PRC regulations on social insurance, the Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

Remuneration Policy

The aggregate amounts of remuneration of our Directors for the two years ended 31 December 2012 and the six months ended 30 June 2013 were approximately RMB397,000, RMB970,000 and RMB504,000, respectively (no remuneration was paid to our Directors in the year ended 31 December 2010). Details of the arrangement for remuneration are set out in Note 8 in "Appendix IA — Accountants' Report — II. Notes to Financial Information" in this Prospectus. Under such arrangement and pursuant to the Directors' service agreements and letters of appointment referred to in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors' service contracts and appointment letters" in this Prospectus, the aggregate amount of Directors' fee and other emoluments payable to the Directors for the year ending 31 December 2013 is estimated to be approximately RMB1 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of the Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by the Company to, or received by, our Directors as an inducement to join or upon joining the Company.

BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of the Company were approved to be established by resolutions passed by our Board on 7 November 2013. The membership of such committees are as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Mr. HL Zhao	N.A.	Member	N.A.
Mr. Wang Shaogang	N.A.	N.A.	N.A.
Mr. Fu Wenguo	N.A.	N.A.	Member
Ms. Su Shiqin	N.A.	N.A.	N.A.
Non-executive Director			
Mr. Sun Wei	N.A.	N.A.	N.A.
Mr. Lau Ho Fung	N.A.	N.A.	N.A.
INED			
Mr. Wu Chi Keung	Chairman	Member	Member
Mr. Zhang Yuezhou	Member	Chairman	Member
Mr. Zhu Zhanbo	Member	Member	Chairman

Each of the above three committees has written terms of reference. The functions of the above three committees are summarized as follows:

Audit Committee

Our audit committee has written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and material and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

Remuneration Committee

Our remuneration committee has written terms of reference in compliance with Code B.1 the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee of the Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination Committee

Our nomination committee has written terms of reference in compliance with Code A.5 the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary functions of the nomination committee of the Company are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement

the Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

COMPLIANCE ADVISER

We entered into an agreement with Baron Global Financial Services Limited, who will from the Listing Date act as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

(a) (before its publication) any regulatory announcement, circular or financial report;

(b) a transaction is contemplated, which might be a notifiable or connected transaction or will involve Share issues and Share repurchases;

(c) where the Company proposes to use the net proceeds of the Global Offering in a manner different from that set forth in this Prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this Prospectus; and

(d) where the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme and intends to grant options to our executive Directors and senior management of our Group after Listing.

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our Directors and other selected participants for their contributions to us.

The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date.

A summary of the principal terms of the Share Option Scheme is set out in "Appendix IV — Statutory and General Information — D. Share Option Scheme" in this Prospectus.

So far as our Directors are aware, the following persons will, immediately following completion of the Global Offering and the Capitalization Issue, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately following the completion of the Global Offering and the Capitalization Issue	
Name of Shareholder [(Note)]	**Nature of interest/Capacity**	**Number of Shares held**	**Approximate % of interest**
ZHL Asia Limited	Beneficial owner	1,333,600,000	34.12%
Mr. HL Zhao	Interest in a controlled corporation	1,333,600,000	34.12%
Ms. SX Li	Interest of spouse	1,333,600,000	34.12%
ZHY Asia Limited	Beneficial owner	1,333,600,000	34.12%
Mr. HY Zhao	Interest in a controlled corporation	1,333,600,000	34.12%

Note: ZHL Asia Limited is solely owned by Mr. HL Zhao, whereas ZHY Asia Limited is solely owned by Mr. HY Zhao who is the brother of Mr. HL Zhao. Immediately after the Global Offering and the Capitalization Issue, 1,163,400,000 Shares will be owned by ZHL Asia Limited and 170,200,000 Shares will be owned by ZHY Asia Limited.

ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed of acting in concert to, among others, confirm their acting-in-concert agreement. As such, immediately following completion of the Global Offering and the Capitalization Issue (and assuming that the Over-allotment Option is not exercised at all), ZHL Asia Limited and ZHY Asia Limited will together control approximately 34.12% interest in the issued share capital in the Company.

Mr. HL Zhao is deemed or taken to be interested in all the shares which are beneficially owned by ZHL Asia Limited and Mr. HY Zhao is deemed or taken to be interested in all the shares which are beneficially owned by ZHY Asia Limited.

Ms. SX Li is the spouse of Mr. HL Zhao. Accordingly, Ms. SX Li is deemed or taken to be interested in all Shares in which Mr. HL Zhao is interested for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering and the Capitalization Issue, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of our subsidiaries.

THE CORPORATE PLACING WITH MENGNIU

We have entered into a cornerstone investment agreement with Mengniu (being one of our customers) on 6 November 2013, which Mengniu has agreed to subscribe for such number of Shares which may be acquired with an aggregate amount of US$60 million (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

The number of Shares to be subscribed by Mengniu based on the assumption of the following Offer Price is set out below:

Offer Price (HK$)	Number of Shares to be subscribed	Approximate percentage of the total issued Shares of the Company immediately upon completion of the Global Offering and Capitalization Issue (assuming that no Shares have been issued for any options that may be granted under the Share Option Scheme)	Approximate percentage of the Offer Shares under the Global Offering
2.49 (the minimum Offer Price)	186,804,819	4.78%	15.29%
2.84 (mid-point of the Offer Price range set forth in this Prospectus)	163,783,098	4.19%	13.41%
3.18 (the maximum Offer Price)	146,271,698	3.74%	11.97%

The cornerstone placing forms part of the International Offering and Mengniu, being such a cornerstone investor, will subscribe for any Offer Share under the Global Offering. The Shares to be subscribed for by Mengniu will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering" in this Prospectus. Details of the allocations to Mengniu will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about 25 November 2013.

The subscription obligation of Mengniu, being our cornerstone investor, is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective terms) by no later than the respective time and date specified therein;

(2) the Offer Price having been agreed upon between the Company and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters);

(3) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(4) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by Mengniu) and such approval or permission not having been revoked;

(5) no laws having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction having the effect of precluding or prohibiting consummation of such transactions; and

(6) the respective representations, warranties, undertakings and confirmations of Mengniu, being our cornerstone investor, being accurate and true in all material respects and there being no material breach of the cornerstone investment agreement on the part of Mengniu.

Information of Mengniu

Mengniu's shares are listed on the Stock Exchange (stock code: 2319). Mengniu Group manufactures and distributes quality dairy products in China. It is one of the leading dairy product manufacturers in China. Mengniu Group's diversified products range includes liquid milk products, such as UHT milk, milk beverages and yogurt, ice cream and other dairy products such as milk powder and cheese. The investment by Mengniu in the Company is part of the continuing development of our strategic partnership with Mengniu Group. In the future, Mengniu Group expects to enter into collaboration arrangements to use our high-quality raw milk to develop high-end dairy products of Mengniu Group with an aim to promote our continuous supply of premium raw milk. Capitalizing on and leveraging the industry experience and resources, Mengniu Group and its associates also can cooperate with us for future business expansion, such as development of new dairy farms for the purpose of ensuring continuous supply of raw milk, and seamless supply chain cooperation with Mengniu's processing and manufacture capabilities. We consider that such cooperation can take advantage of our industry expertise, talent pool and local connections as well as Mengniu's capital resources, distribution channels and robust downstream product sales. Accordingly, we believe that we will benefit from Mengniu Group's investment in our Group as it will facilitate us to secure additional off-take for our raw milk and further improve our results of operations.

To the best knowledge of the Company, Mengniu is an independent third party of the Company (other than Mengniu being one of our customers), independent of each other, not a connected person of the Company, and not an existing Shareholder of the Company. Accordingly, the shareholdings of Mengniu in the Company will be counted towards the public float of our Shares. Immediately following completion of the Global Offering, Mengniu will not have any board representation in the Company, nor will it become a substantial shareholder of the Company.

RESTRICTIONS ON THE CORNERSTONE INVESTOR'S INVESTMENT

Mengniu has agreed that, without the prior written consent of the Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares subscribed for by it pursuant to the cornerstone investment agreement (save that Mengniu is permitted to transfer the Shares that it will be issued in the International Offering to its wholly-owned subsidiary(ies) during such six-month lock-up period).

SHARE CAPITAL

The following is a summary of the authorized and issued share capital of the Company as of the date of this Prospectus and immediately after completion of the Global Offering and the Capitalization Issue:

		Aggregate par values (HK$)
Authorized share capital:		
50,000,000,000	Shares of HK$0.01 each	500,000,000
Issued and to be issued, fully paid or credited as fully paid:		
73,289	Shares in issue at the date of this Prospectus	732.89
2,931,486,711	Shares to be issued pursuant to the Capitalization Issue	29,314,867.11
977,187,000	Shares to be issued under the Global Offering	9,771,870.00
3,908,747,000	Shares	39,087,470.00

ASSUMPTIONS

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the issued share capital of the Company in the hands of the public (as defined in the Listing Rules).

RANKING

The New Shares and the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this Prospectus, except for entitlement under the Capitalization Issue.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in "Appendix IV — Statutory and General Information — D. Share Option Scheme" in this Prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value of not exceeding the sum of:

(i) 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering and the Capitalization Issue; and

(ii) the nominal amount of our share capital repurchased by the Company (if any) pursuant to the repurchase mandate (as mentioned below).

The above mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Bye-laws, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Global Offering or the Capitalization Issue. Our Directors may, in addition to the Shares which they are authorized to issue under the above mandate, to allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Bye-laws or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this general mandate, please see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in writing of our Shareholders passed on 7 November 2013" in this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the our share capital in issue immediately following completion of the Global Offering and the Capitalization Issue. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the

Listing Rules is set out in "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 6. Repurchases by the Company of our own securities" in this Prospectus.

This general mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Bye-laws or any applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this general mandate, see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in writing of our Shareholders passed on 7 November 2013" in this Prospectus.

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and the accompanying notes of our Group as of and for the years ended 31 December 2010, 2011 and 2012 and as of and for the six months ended 30 June 2012 and 2013 included as Appendix IA, the audited consolidated financial statements and the accompanying notes of Ruixinda Gannan as of and for the year ended 31 December 2010 and as of and for the nine months ended 30 September 2011 included as Appendix IB, and the audited consolidated financial statements and the accompanying notes of YST Heping as of and for the year ended 31 December 2010 and as of and for the nine months ended 30 September 2011 included as Appendix IC to this Prospectus. The consolidated financial statements included as Appendices IA, IB and IC have been prepared in accordance with IFRS.

On 29 September 2011, we completed the acquisition of the entire equity interest in Ruixinda Gannan and YST Heping and took over the existing raw milk production business at Gannan Oumei Farm and Kedong Oumei Farm. Since October 2011, the financial information of such business operations have been included in our consolidated financial statements. Hence, our results and the expansion of our business during the Track Record Period may not be indicative of our future results and growth.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements."

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary financial information from our audited consolidated statements of comprehensive income and statements of cash flows for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, and our audited consolidated statements of financial position as of 31 December 2010, 2011 and 2012 and 30 June 2013 set forth below are derived from the Accountants' Report included as Appendix IA to this Prospectus and should be read in conjunction with the Accountants' Report and with "— Management's Discussion and Analysis of Financial Condition and Results of Operations."

Summary Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	**337**	**148,785**	**689,113**	**327,382**	**385,129**
Cost of sales	(224)	(97,404)	(428,630)	(200,129)	(234,667)
Gross profit	**113**	**51,381**	**260,483**	**127,253**	**150,462**
Other income	6,461	2,585	17,513	1,505	10,018
Gains on bargain purchase	—	164,417	—	—	—
Gains from non-interest bearing financial arrangements	—	—	—	—	49,195
Selling and distribution expenses	—	(3,294)	(17,383)	(8,052)	(9,248)
Administrative expenses	(3,548)	(10,969)	(22,843)	(10,363)	(26,191)
Finance costs	(525)	(24,170)	(45,742)	(19,635)	(58,180)
Changes in fair value less costs to sell of biological assets	5,608	9,903	17,713	15,400	(16,462)
Profit before tax	**8,109**	**189,853**	**209,741**	**106,108**	**99,594**
Income tax expense	—	—	—	—	—
Profit for the year/period	**8,109**	**189,853**	**209,741**	**106,108**	**99,594**
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations	—	—	—	—	(2,440)
Total comprehensive income for the year/period	**8,109**	**189,853**	**209,741**	**106,108**	**97,154**

Selected Consolidated Statements of Financial Position

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	701,114	2,156,516	2,360,248	2,453,251
Current assets	125,264	229,910	233,007	594,118
Current liabilities	507,582	1,402,214	1,704,308	1,312,248
Net current liabilities	(382,318)	(1,172,304)	(1,471,301)	(718,130)
Net assets	190,876	380,729	590,470	1,143,130

Selected Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash and cash equivalents at beginning of year	38,604	73,882	17,419	17,419	7,748
Net cash flows from operating activities	213,146	74,706	128,837	21,267	23,044
Net cash flows used in investing activities	(299,188)	(563,735)	(219,320)	(43,853)	(162,161)
Net cash flows from financing activities	121,320	432,566	80,812	28,205	539,088
Net increase/(decrease) in cash and cash equivalents	35,278	(56,463)	(9,671)	5,619	399,971
Effect of foreign exchange rate changes, net	—	—	—	—	250
Cash and cash equivalents at end of year	73,882	17,419	7,748	23,038	407,969

NON-IFRS FINANCIAL MEASURES

We have included in this Prospectus the adjusted profit for the year/period and adjusted net profit margin, and have provided a reconciliation of profit for the year/period to the adjusted profit for the year/period. The adjusted profit for the year/period represents profit for the year/period excluding (i) changes in fair value less costs to sell of biological assets, (ii) gains on bargain purchase, and (iii) gains from non-interest bearing financial arrangements. Adjusted net profit margin is calculated by finding the adjusted profit for the year/period as a percentage of the revenue for the same year/period.

The adjusted profit for the year/period and adjusted net profit margin are not standard measures under IFRS. We have included the adjusted profit for the year/period and adjusted net profit margin as supplemental financial measures to assess our operating performance. The adjusted profit for the year/period and adjusted net profit margin should not be considered independently, or construed as an alternative to profit for the year/period or as an indicator of our operating performance or profitability.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading dairy farming company in China in terms of herd size as well as in terms of production volume in 2012, and are dedicated to the production of super premium raw milk. Our four dairy farms collectively raised 37,000 dairy cows and produced approximately 460 tonnes of raw milk per day as of 31 December 2012. The average annual milk yield per cow of all our farms was 8.9 tonnes in 2012, which is approximately 62% higher than the industry average. In 2012, the average selling price of our raw milk reached approximately RMB4,100 per tonne, approximately 25% higher than the average selling price of raw milk from major production regions in China, primarily due to its premium quality. As of 30 June 2013, we had a total of 38,788 dairy cows. The average selling price of our raw milk reached approximately RMB4,527 per tonne for the six months ended 30 June 2013, an increase of 10.9% from the six months ended 30 June 2012.

As of 30 June 2013, all of the dairy farms that we owned and operated were located within the Songnen Plain, which is comprised of parts of Heilongjiang and Jilin, the two most northeastern provinces in China. Our dairy farms, each having an actual designed capacity ranging from 6,000 to 18,000 dairy cows, are among the largest dairy farms in China, and are designed and constructed to have modern layouts and automated equipment to ensure high milk yields and cost efficiency. According to *Euromonitor International*, our raw milk is of super premium quality. The average microbe count and SCC of our raw milk are as low as 4K/ml and 162K/ml, respectively, while the average percentages of protein and fat of our raw milk are as high as 3.4% and 4.2%, respectively. As measured by such parameters, our raw milk is considered the safest and most nutritious in China and therefore is in high demand among leading domestic dairy products manufacturers. During the Track Record Period, our top five customers were Yili Group, Mengniu Group, Feihe Dairy Group, Bright Dairy Group and Aibeite, a majority of which are leading dairy products manufacturers in China. Among these customers, Mengniu Group and Feihe Dairy Group, two of China's top dairy brands, sourced our super premium raw milk primarily for the production of their high-end dairy products. For the year ended 31 December 2012 and the six months ended 30 June 2013, we generated RMB689.1 million and RMB385.1 million from sales of 168,070 tonnes and 85,079 tonnes of raw milk, respectively.

We experienced significant revenue growth during the Track Record Period. Our total sales volume increased from 95 tonnes in 2010 to 35,722 tonnes in 2011, and to 168,070 tonnes in 2012. Our total sales volume increased from 80,209 tonnes for the six months ended 30 June 2012 to 85,079 tonnes for the six months ended 30 June 2013. Our total revenue increased from RMB0.3 million in 2010 to RMB148.8 million in 2011, and to RMB689.1 million in 2012. Our total revenue increased from RMB327.4 million for the six months ended 30 June 2012 to RMB385.1 million for the six months ended 30 June 2013. Our gross profit increased from RMB113,000 in 2010 to RMB51.4 million in 2011, and to RMB260.5 million in 2012. Our gross profit increased from RMB127.3 million for the six months ended 30 June 2012 to RMB150.5 million for the six months ended 30 June 2013.

Basis of Presentation

In September 2011, we completed the acquisition of the entire equity interest in Ruixinda Gannan and YST Heping from Feihe Dairy HLJ and Mr. Ma Jinyan pursuant to the Oumei Transfer Agreement dated 1 August 2011 and completed the acquisition on 29 September 2011. Thereafter, we have taken over the existing raw milk production business at Gannan Oumei Farm and Kedong Oumei Farm. We have included in this Prospectus the accountants' reports of our Group, Ruixinda Gannan and YST Heping as Appendix IA, Appendix IB and Appendix IC, respectively, because our financial information alone for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 does not fully reflect the results and financial condition of our operating business as a result of the transactions described in "History, Development and Reorganization."

Pursuant to the Reorganization as detailed in "History, Development and Reorganization — Reorganization" in this Prospectus, the Company became the holding company of the companies now comprising our Group on 26 October 2012. The companies now comprising our Group were under the common control of the Controlling Shareholders before the Reorganization. Accordingly, for the purpose of the Accountants' Report, the financial information has been prepared by applying the principles of merger accounting, as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows of our Group during the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as of 31 December 2010, 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

The financial statements have been prepared in accordance with IFRS, which comprise all standards and interpretation approved by the International Accounting Standards Board, or the IASB. All IFRS effective for accounting period commencing from 1 January 2012, together with the relevant transitional provisions, have been early adopted by the reporting entity in the preparation of the financial information throughout the Track Record Period. They have been prepared under the historical cost

convention, except for biological assets, which have been measured at fair values. The financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the going concern concept, notwithstanding that our Group had net current liabilities of RMB382.3 million, RMB1,172.3 million, RMB1,471.3 million and RMB718.1 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, because we have received a capital injection into one of our subsidiaries of approximately RMB459 million from Ms. SX Li and had the reclassification of payables to Feihe Dairy Group pursuant to the supplemental agreement we entered into with Feihe Dairy HLJ in April 2013. We expect that by: (i) receiving the proceeds from the Global Offering; (ii) reclassification of the Pre-IPO Investments from liabilities to equity upon the Listing; and (iii) utilizing cash flows from operating activities as our farms reach a mature stage, our net current liabilities position will improve.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors. Our consolidated financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below:

Size and expansion of our herd

Our results of operations are significantly affected by the expansion of our herd. During the Track Record Period, we operated four dairy farms and the number of our dairy cows increased from 7,893 as of 31 December 2010 and 32,219 as of 31 December 2011 to 37,000 as of 31 December 2012, and further to 38,788 as of 30 June 2013. The increase in the number of milkable cows in our herd has enabled us to sell more raw milk. For more information on milk yield, see "— Milk yield" below. However, demand for our raw milk, due to its premium quality, continued to exceed our supplies throughout the Track Record Period. The table below sets forth our raw milk sales volume as well as the sales of raw milk for the periods indicated:

	For the year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
Raw milk sales volume (tonnes)	95	35,722	168,070	80,209	85,079
Raw milk sales (RMB'000)	337	148,785	689,113	327,382	385,129

The table below sets forth the total number of our dairy cows as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
Milkable cows	97	14,950	20,643	20,885
Heifers and calves	7,796	17,269	16,357	17,903
Total dairy cows	7,893	32,219	37,000	38,788

As we were in an early stage of business expansion and have not reached a mature stage in terms of the lactation cycle of our herd, our business scale expanded substantially during the Track Record Period. The rapid growth in our herd size from 7,893 as of 31 December 2010 to 32,219 as of 31

December 2011 was due to the (i) acquisition of dairy farms, (ii) procurement of imported heifers, and (iii) breeding of calves and heifers in our own farms. When we commenced operations at our first farm, Kedong YST Farm, in 2009, we procured imported Holstein heifers from Uruguay, New Zealand and Australia. Thereafter, we continued to procure high-quality imported Holstein heifers to expand our herd size. During the Track Record Period, we added 9,539 heifers to our herd due to procurement of imported heifers. From March 2011 up to the Latest Practicable Date, we did not procure any imported heifers because we were able to sustain the operations at all of our farms using our self-bred heifers during this period.

Our herd size also grew due to the significant increase in our self-bred calves and heifers. The increase in our herd size from 32,219 as of 31 December 2011 and 37,000 as of 31 December 2012 to 38,788 as of 30 June 2013 was attributable to the breeding of calves and heifers in our own farms. A female calf becomes a heifer after six months of her birth and grows to become a milkable cow once she gives birth to her first calf. Generally, each of our milkable cows gives birth to a calf every 400 days, and is able to breed up to six calves until she is culled. As a result, and following the maturity of our self-bred calves and heifers, we expect that our herd size will be growing more rapidly than before. This growth in herd size was attributable to the increase in self-bred calves by using modern breeding technologies, partially offset by the regular culling of milking cows with low milk yields.

We plan to build five additional farms in the Songnen Plain within the next three years, including one farm for educational tours, one farm dedicated to raising reserve cows and three farms for commercial production, and aim to attain a total herd size of approximately 100,000 dairy cows by 2017. We seek to replicate our business model of operating mega-scale dairy farms at our future farms. We believe that, in addition to increasing our milk production and sales volumes, the expansion of our business scale will enable us to increase our operating efficiency, optimize our systematic farm management and control our operating costs to achieve further economies of scale.

Milk yield

The milk yield of our cows is affected by a number of factors, including a cow's lactation stage, breed, genetics and feed.

We have taken the following measures to increase our milk yield per cow:

- improving the genetic mix of our herd and productivity of our future generations by importing the semen of selected Holstein bulls from international suppliers;
- the regular culling or selling of cows with low yields to improve cost efficiency;
- optimizing the type and combination of feeds for our cows; and
- adhering to strict disease control measures to ensure that our cows remain healthy.

A cow's milk yield is typically low during its first lactation cycle relative to when it reaches its peak level during the third and fourth lactation cycles. As of 30 June 2013, 29.3%, 43.7%, 18.6%, 7.0% and 1.4% of our milkable cows were in their first, second, third, fourth and fifth (or subsequent) lactation cycle, respectively. We expect that our average milk yield will be positively affected in the next few years as a larger proportion of our cows reach their third and fourth lactation cycles.

The growth of our raw milk sales during the Track Record Period was mainly due to an increase in number of milkable cows and partly offset by a decrease in the average milk yield per cow. The average milk yield per cow of all our farms during the Track Record Period was substantially influenced by our herd structure. As our dry cows do not produce raw milk, an increase in the percentage of dry cows to our total number of milkable cows in any given period would lower the average milk yield per cow of our farms. Our average annual milk yield per cow decreased from 10.7 tonnes in 2010 to 9.2 tonnes in 2011, and to 8.9 tonnes in 2012. Our average milk yield per cow for the six months ended 30 June 2013 was 8.6 tonnes. The percentage of dry cows to our milkable cows was higher in 2012 compared to 2011 because of the structure of our herd. As we are a growing dairy farming company, we procured a large number of imported heifers in 2011, most of which conceived at approximately the same time and became milkable cows when they began to produce raw milk in 2011. These milkable cows became dry cows 60 days before giving birth to calves also at a similar period of time in 2012. Our average annual milk yield per cow was higher in 2010 than in 2011 because, in 2010, we had only 97 milkable cows, among which very few were in the dry period. Our average milk yield per cow in the first half of 2013 decreased due to severe weather conditions in the winter of early 2013, resulting in low yield production of our cows. As our farms have matured and the age groups of our cows become balanced, we expect that our average milk yield per cow will improve and gradually become more stable.

Raw milk prices

Our sales and profit are influenced by raw milk prices. Our historical average selling prices are generated from dividing the revenue of each year by the sales volume in the same year. The average selling price of our raw milk was RMB3,547.4 per tonne, RMB4,165.1 per tonne and RMB4,100.2 per tonne for the years ended 31 December 2010, 2011 and 2012, respectively. The average selling price of our raw milk increased from RMB4,081.6 per tonne for the six months ended 30 June 2012 to RMB4,526.7 per tonne for the six months ended 30 June 2013. Our raw milk is typically sold at a premium to the average selling prices on the market primarily due to the superior quality of our raw milk. The prices at which we sell our raw milk are influenced by a combination of factors, including the seasonality, quality of milk, the diversity and mix of our customers, market prices and feed costs. During the Track Record Period, we sold raw milk to our customers mainly through one-year contracts. In general, our customers pay us a base price with upward adjustments for meeting certain quality standards. These quality standards are determined by, among other things, the microbe count, the levels of fat and protein content and the freezing point of our raw milk. Because the selling price of our raw milk varies from customer to customer depending on our individual negotiations with each customer, any changes in the proportion of volumes sold among our customers would have an impact on our overall average selling price and, ultimately, our results of operations. We believe that, as we broaden our customer base as a result of our increased production volumes of raw milk and enhanced reputation in the industry, we will have more bargaining power over prices.

The average selling price of raw milk is, to a certain extent, affected by seasonality. In general, the production volume of raw milk is lower in the winter, namely the first and fourth quarters of a calendar year, while demand for raw milk is generally higher, and as a result, raw milk prices are typically higher in the winter. Our acquisition of two dairy farms in September 2011 substantially increased our production volumes in the fourth quarter of that year, when sales prices were higher than the average of the other quarters, and therefore our average selling price increased significantly from 2010 to 2011. Our average selling price of raw milk increased from RMB4,081.6 per tonne for the six months ended 30 June 2012 to RMB4,526.7 per tonne for the six months ended 30 June 2013 because: (i) the domestic supply of quality raw milk decreased as a result of the increased culling of cows by individual and small-scale farms due to low cost efficiencies; and (ii) the PRC Government implemented a series of policies in 2013 to promote the steady supply of quality raw milk in China. Our average selling price of

raw milk further increased from RMB4,790.4 per tonne in July and RMB4,807.9 per tonne in August to RMB5,044.3 per tonne in September mainly because the supply of quality raw milk in China continued to decrease in the second half of 2013.

In addition, we have historically adjusted the prices of our raw milk to reflect increases in feed costs by negotiating price increases with customers, and we were able to pass a portion of these increased costs on to our customers. We expect that our results of operations will continue to be affected by the prices of our raw milk. If we are successful in maintaining the premium quality of our raw milk and in continuing to pass on some of increases in feed costs to customers by raising our prices, our sales will continue to grow. However, if we are unable to do so or if general market prices for raw milk decrease, our prices may experience downward pressure, which could negatively impact our results of operations.

Feed costs

Our results of operations are, to a large extent, affected by feed costs, including costs of concentrates (corn, soybean meal and cotton seed meal) and forages (corn silage, grass forage and alfalfa). The costs of feed for our milkable cows are included in our cost of sales, while the costs of feed for heifers and calves are capitalized. Our feed costs for milkable cows were RMB0.2 million, RMB76.8 million, and RMB339.3 million for the years ended 31 December 2010, 2011 and 2012, respectively, representing 75.9%, 78.9% and 79.2% of our cost of sales for the years ended 31 December 2010, 2011 and 2012, respectively. Our feed costs for milkable cows were RMB160.2 million and RMB181.7 million for the six months ended 30 June 2012 and 2013, respectively, representing 80.1% and 77.4% of our cost of sales for the six months ended 30 June 2012 and 2013, respectively. The increase in our feed costs was attributable to the increase in feed consumption during the Track Record Period as our dairy cows matured and our herd size grew. We expect that feed costs will continue to constitute the majority of our cost of sales.

Our feed costs are influenced by factors such as fluctuations in seasonal feed production, commodity market prices and mixture formulas. To provide us with some flexibility to respond to fluctuations in the market prices of concentrates, we meet our concentrates requirements by entering into short-term agreements with domestic suppliers when market prices are more favorable. For our forages supplies, we generally enter into short-term purchase agreements shorter than five months to purchase high-quality alfalfa, but purchase corn silage and grass forage on a yearly basis due to their seasonal growth patterns. We also enter into short-term purchase agreements of between eight to 12 months with local suppliers, under which they grow corn silage according to our specifications.

Prior to October 2012, we calculated our daily feed costs per milkable cow by dividing the monthly feed costs by the monthly average number of milkable cows, which is calculated as the simple average number of milkable cows in the beginning and end of a month multiplied by days in that month. Since October 2012, we were able to calculate our feed costs per milkable cow on a daily basis. Our daily feed costs per milkable cow increased slightly from 2010 to 2011 primarily because the purchase prices of feed increased in 2011 compared to 2010. Our daily feed costs per milkable cow decreased from 2011 to 2012 primarily because: (i) we changed our feed formulas to decrease the feed cost while increase nutritional value; and (ii) our herd structure became mature and we had an increase in dry cows as a percentage of our milkable cows, resulting in reduced feed costs of concentrates. Our daily feed costs per milkable cow increased in the first half of 2013, compared to the same period in 2012, mainly due to the increase in feed prices in the first half of 2013 and the increased quantities of feed given to our milkable cows during their first lactation cycle as part of our improved feed management.

The following sensitivity analysis illustrates the impact of hypothetical changes in the feed costs on our net profit during the Track Record Period:

For the year ended 31 December 2010								
% Change in feed cost	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding net profit (RMB'000)	8,087	8,098	8,105	8,107	8,111	8,113	8,120	8,131
% Change in net profit	0.28%	0.14%	0.06%	0.03%	–0.03%	–0.06%	–0.14%	–0.28%
For the year ended 31 December 2011								
% Change in feed cost	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding net profit (RMB'000)	180,113	184,983	187,905	188,879	190,827	191,801	194,723	199,593
% Change in net profit	5.13%	2.57%	1.03%	0.51%	–0.51%	–1.03%	–2.57%	–5.13%
For the year ended 31 December 2012								
% Change in feed cost	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding net profit (RMB'000)	166,878	188,310	201,168	205,455	214,027	218,314	231,173	252,604
% Change in net profit	20.44%	10.22%	4.09%	2.04%	–2.04%	–4.09%	–10.22%	–20.44%
For the six months ended 30 June 2013								
% Change in feed cost	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding net profit (RMB'000)	76,127	87,861	94,901	97,247	101,941	104,287	111,327	123,061
% Change in net profit	23.56%	11.78%	4.71%	2.36%	–2.36%	–4.71%	–11.78%	–23.56%

For risk relating to fluctuation of our feed costs, please see "Risk Factors — Risks Relating to Our Business — Our business and results of operations may be adversely affected by feed price fluctuations or interruptions in the supply of feed."

Government policies and tax

Since 2006, the PRC Government has implemented a number of policies to promote and improve the industrialization and specialization levels of the animal husbandry industry, accelerate the breeding and promotion of quality breeds of livestock, and increase the milk yield of dairy cows. These policies have provided support for the growth and development of the dairy farming industry in China. Since the melamine incident in 2008, the PRC Government has placed increased supervision over the dairy farming industry, including issuing new regulations, such as the *Opinions of State Council on Promoting the Sustainable and Healthy Development of Husbandry*, the *Opinions of State Council on Promoting the Sustainable and Healthy Development of Dairy Industry*, the *Opinions of State Council Offices on Overall Promotion of Construction of a New Round Non-staple Food Project* and the *Opinions of the Ministry of Agriculture Concerning the Acceleration of the Work of Promoting Standardized Large-Scale Raising and Breeding of Livestock and Poultry*, which advocate and encourage animal husbandry breeding and standardization at a larger scale. These regulations require relevant governmental authorities and local governments to support the development of large-scale animal husbandry breeding by providing government grants, government assistance, interest rebates for bank loans, insurance premium subsidies and land use rights.

As a result, we received various types of government support throughout the Track Record Period. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we received government subsidies of RMB5.0 million, RMB0.9 million, RMB14.4 million, RMB0.1 million and RMB7.6 million, respectively. Such subsidies were granted to us based on the

government policies which benefit the dairy farming industry for the promotion of, among other things, improved industrialization and specialization levels of the husbandry industry, acceleration of the breeding and promotion of fine breeds of livestock. As of the Latest Practicable Date, we had fulfilled all conditions of such government grants. We also received interest rebates of RMB7.3 million, RMB3.8 million and RMB10.9 million for the years ended 31 December 2010, 2011 and 2012, respectively, which were subtracted from our finance costs. We did not receive any interest rebates for the six months ended 30 June 2013. We expect to continue to receive similar support for the foreseeable future. For further information about these government policies, see "Regulations — The Laws and Regulations Relating to the Industry — Policies Relating to Modern Husbandry and Dairy Industry."

During the Track Record Period, our results of operations were positively affected by tax policies which generally benefit raw milk producers in China. Under the relevant PRC tax laws and regulations, an enterprise's income generated from activities of raising cattle and poultry may be exempted from PRC enterprise income tax. Moreover, sale of self-produced primary agricultural products may be exempted from VAT. As a result of these policies, our raw milk sales have not been subject to PRC enterprise income tax or VAT. As advised by our PRC Legal Advisers, under the current PRC tax laws and regulations, (i) there is no statutory time limit for us to enjoy such exemptions from PRC enterprise income tax and VAT insofar as our relevant PRC subsidiaries complete the requisite filings with or obtain the requisite approvals from the relevant competent tax authorities, and (ii) there is no material legal impediment for us to renew such filings or obtain such approvals. However, if the PRC Government changes the relevant laws and regulations and starts to collect enterprise income tax or VAT on sales of raw milk, our profitability could be negatively impacted.

Dairy cows

Dairy cows, including milkable cows, heifers and calves, are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with any gain or loss recognized in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly consisting of transportation costs and excluding finance costs and income taxes. The fair value of dairy cows is determined based on the present location and condition and is determined independently by a professional valuer.

The raising costs for our milkable cows, namely milking cows and dry cows, are allocated to cost of sales, while the raising costs including depreciation and feed costs for heifers and calves are capitalized, until such time as they begin to produce milk.

Changes in the fair value of biological assets

Our results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012, our results of operations were positively affected by gains arising from changes in fair value less costs to sell of biological assets of RMB5.6 million, RMB9.9 million, RMB17.7 million and RMB15.4 million, respectively. For the six months ended 30 June 2013, we had losses arising from changes in fair value less costs to sell of dairy cows of RMB16.5 million. Changes in fair value less costs to sell of biological assets represent fair value gains/losses on our biological assets and gains/losses from the sale of unfit dairy cows less the costs of selling, due to changes in physical attributes and market prices of those assets. The fair value of dairy cows is determined based on: (i) the market prices as of the end of each reporting period adjusted with reference to the age and cost to reflect

differences in characteristic and/or stages of growth of dairy cows; or (ii) the present value of expected net cash flows from the dairy cows discounted at a current market rate, when market prices are unavailable.

The fair value of the heifers and calves are determined with reference to their market prices with similar age, breed and genetic merit, while the fair value of milkable cows represents the present value of expected net cash flows from such milkable cows discounted at a current market rate. In applying these valuation methods, the independent valuer has relied on a number of assumptions, related to, among other things, raw milk prices, expected milk yield per cow, culling rates, costs and discount rates. The fair value of our dairy cows could be affected by, among other things, the accuracy of these assumptions. Any changes in the estimates may affect the fair value of the dairy cows significantly. Upward adjustments do not generate any cash inflow for our operations. The independent qualified professional valuer and our management review the assumptions and estimates periodically to identify any significant changes in fair value of dairy cows. We expect that our results will continue to be affected by changes in the fair value of our herd. For more information about the valuation methods applied in valuing our herd, see Note 15 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus.

Critical Accounting Policies, Judgments and Estimates

Our principal accounting policies and estimates are set forth in Notes 2.3 and 2.4 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus. IFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purpose of giving a true and fair view of our results and financial position. Critical accounting policies, judgments and estimates are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies and estimates that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which the grant is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at fair value on the acquisition date which is the sum of fair values of assets transferred by us on the acquisition date, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale." The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

An expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%
Leasehold improvements	Over the shorter of the lease terms and 18%
Furniture and fixtures	18%
Plant and machinery	6%–7%
Motor vehicles	11%–12%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, biological assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there have been changes in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would

have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Description of Components of Results of Operations

Revenue

Our revenue represents the net invoiced value of raw milk sold. Sales of raw milk produced mainly represented the fair value of milk produced less costs to sell at the point of harvest. During the Track Record Period, we did not experience any returns or delivery refusal of our raw milk. We commenced commercial sales of raw milk in 2010. Our revenue was RMB0.3 million, RMB148.8 million, RMB689.1 million, RMB327.4 million and RMB385.1 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We acquired Gannan Oumei Farm and Kedong Oumei Farm in September 2011. Our revenue from these two farms was RMB102.8 million for the three months ended 31 December 2011, accounting for 79.8% of our total revenue during the same period. For the year ended 31 December 2012 and the six months ended 30 June 2013, our revenue from these two farms was RMB432.7 million and RMB176.6 million, accounting for 62.8% and 45.8%, respectively, of our total revenue during the same periods. The table below sets forth our revenue and gross profit contributed by each of our farms, including Gannan Oumei Farm and Kedong Oumei Farm, for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2010		2011		2012		2012		2013	
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Kedong Oumei Farm	N/A	N/A	60,322[(1)]	21,668[(1)]	245,082[(2)]	85,028	123,783[(2)]	45,130	73,236	27,475
Gannan Oumei Farm	N/A	N/A	42,509[(1)]	13,893[(1)]	187,619	71,402	93,502	37,452	103,360	39,278
Kedong YST Farm	337	113	28,400	10,517	127,028	52,173	43,559	17,608	139,404	54,561
Zhenlai Farm Phase I	N/A	N/A	17,554	5,303	129,384	51,880	66,538	27,063	69,234	29,148
Total	337	113	148,785	51,381	689,113	260,483	327,382	127,253	385,234	150,462

Notes:

(1) We acquired Kedong Oumei Farm and Gannan Oumei Farm in September 2011. As a result, we recorded the revenue and gross profit from these two farms for the three months ended 31 December 2011.

(2) Our revenue generated from Kedong Oumei Farm for the year ended 31 December 2012 was high primarily due to the large number of milkable cows at Kedong Oumei Farm from January to November 2012. As of 31 December 2012, the number of milkable cows at Kedong Oumei Farm decreased to 3,924, mainly due to the internal title transfer of 7,033 dairy cows, including 3,882 milkable cows, from Kedong Oumei Farm to Kedong YST Farm in December 2012. This was also the primary reason that Kedong Oumei Farm generated higher revenue for the six months ended 30 June 2012, compared to the other three farms.

Our sales volume of raw milk for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 was 95 tonnes, 35,722 tonnes, 168,070 tonnes, 80,209 tonnes and 85,079 tonnes, respectively. During the same periods, the average selling price of our raw milk was RMB3,547.4 per tonne, RMB4,165.1 per tonne, RMB4,100.2 per tonne, RMB4,081.6 per tonne and RMB4,526.7 per tonne, respectively. We were able to sell our raw milk at premium prices due to its superior quality during the Track Record Period. See "— Factors Affecting Our Results of Operations and Financial Condition — Raw milk prices" for more details.

Cost of sales

Our cost of sales mainly represents feed, depreciation, staff costs, utilities and veterinary costs, which are directly related to our production. Our cost of sales for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 was RMB0.2 million, RMB97.4 million, RMB428.6 million, RMB200.1 million and RMB234.7 million, respectively. The table below summarizes the components of our cost of sales by nature during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Feed	170	76,846	339,341	160,232	181,680
Depreciation	8	6,055	23,386	9,888	16,332
Salary, welfare and social insurance	1	3,672	17,640	7,920	10,310
Utilities	5	4,173	19,360	9,385	10,855
Veterinary cost	—	3,251	13,289	5,792	7,149
Others	40	3,407	15,614	6,912	8,341
Total	**224**	**97,404**	**428,630**	**200,129**	**234,667**

Feed costs represent the feed consumed by our milkable cows. Our feed costs for milkable cows were RMB0.2 million, RMB76.8 million, RMB339.3 million, RMB160.2 million and RMB181.7 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively, representing 75.9%, 78.9%, 79.2%, 80.1% and 77.4% of our cost of sales for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The increase in our feed costs was attributable to the increase in feed consumption during the Track Record Period as our dairy cows matured and our herd size grew. For more information on factors affecting our feed costs, see "— Factors Affecting Our Results of Operations and Financial

Condition — Feed costs." Depreciation costs relate to our property, plant and equipment, such as our barns and milking and feeding machines. Veterinary cost includes medicines and vaccines for our milkable cows. Other costs mainly represent maintenance cost of our property, plant and equipment.

Gross profit

Our gross profit is equivalent to our revenue from sales of raw milk for the relevant period less cost of sales for our production for the same period. Our gross profit for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 was RMB0.1 million, RMB51.4 million, RMB260.5 million, RMB127.3 million and RMB150.5 million, respectively. Our gross profit margin for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 was 33.5%, 34.5%, 37.8%, 38.9% and 39.1%, respectively.

Other income

Our other income mainly represents government subsidies, sales of male calves and rental income. Male calves are recorded at their historical costs in the balance sheet and are sold at the day of birth. During the Track Record Period, we received government subsidies, including subsidies for our property, plant and equipment, and rental income from YST Heping for providing housing and maintenance services for its cows prior to our acquisition of Kedong Oumei Farm in September 2011. These government subsidies were subject to the approval of the relevant government authorities on a case-by-case basis, and most of the subsidies were one-off in nature.

We recorded other income of RMB6.5 million, RMB2.6 million, RMB17.5 million, RMB1.5 million and RMB10.0 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

Gains on bargain purchase

Gains on bargain purchase occur when the consideration paid, calculated based on historical costs, is lower than the fair value of the net assets acquired. In September 2011, we acquired the entire equity interests of Kedong Oumei Farm and Gannan Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan. The total purchase consideration for the acquisition was RMB849.0 million, RMB114.5 million of which was paid in cash, representing the sum of registered capital of YST Heping and Ruixinda Gannan as of 30 June 2011. The remaining purchase price of RMB734.5 million, representing the amounts payable from YST Heping and Ruixinda Gannan to Feihe Dairy HLJ, was agreed to be satisfied by our delivery to Feihe Dairy Group, in six quarterly installments, of raw milk or in cash. We have not borne any transaction costs for this acquisition.

Gains on bargain purchase in 2011 included imputed gains of RMB43.3 million on payables due to Feihe Dairy Group for the remaining acquisition consideration, which were treated as non-interest bearing financial arrangements.

The gain on bargain purchase, amounting to RMB164.4 million, was recognized in the income statement for the year ended 31 December 2011, mainly representing the difference between the fair value and the sum of the book value of the assets plus payables to Feihe Dairy Group of RMB734.5 million and certain reversal of depreciation and recognition of fair value of biological assets due to different accounting treatments. The fair value and book value of Kedong Oumei Farm and Gannan

Oumei Farm as of 30 September 2011 was RMB970.2 million and RMB73.0 million, respectively; the reversal of depreciation and recognition of fair value of biological assets amounted to RMB162.6 million. The book value is determined by the historical costs of the assets and, as agreed by both parties, is used as a benchmark for the purchase consideration. Such consideration was negotiated and agreed based on ordinary commercial terms and considerations, which both parties believed represented the value of the farms. The purchase consideration was made with reference to the book value of the assets of YST Heping and Ruixinda Gannan, of which biological assets were presented at amortized historical value under historical cost basis under PRC generally accepted accounting principles. However, when preparing our consolidated financial statements, the acquired farms were presented at their fair value as of 30 September 2011 under fair value basis under IFRS, pursuant to which biological assets were presented at fair value as determined by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). As such, due to the different accounting treatments between historical cost basis and fair value basis, a significant gain on bargain purchase, representing the difference between the purchase consideration and the fair value of the acquired assets, was recorded in our financial statements as other income. See Note 29 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus for more details.

As advised by our PRC Legal Advisers, it is not mandatory for the parties to obtain independent valuation of such acquisition. Our Directors confirm that this acquisition was legal and valid and conducted on normal commercial terms. The Joint Sponsors, who are not experts in legal matters, are not aware of any reasons to disagree with the Company's PRC Legal Advisers that the acquisition was legal and valid or disagree with the Directors' view that the acquisition was conducted on normal commercial terms, taking into account the overall circumstances surrounding the acquisition and the unique nature of the downstream dairy products market.

Gains from non-interest bearing financial arrangements

For the six months ended 30 June 2013, pursuant to the supplemental agreement we entered into with Feihe Dairy Group in April 2013, the due date of the consideration payable was extended to 2015 without any interest. An imputed interest gain of RMB49.2 million was recognized for such non-interest bearing financial arrangements.

In accordance with IAS39, the financial liabilities were recognized initially at their fair value. The fair value of the remaining payables to Feihe Dairy Group, which are to settle the acquisition consideration, was regarded as long-term non-interest bearing financial arrangements and was measured as the present value of all future cash payments discounted by using prevailing market interest rates for a similar instrument with a similar credit rating.

A gain, which represented the difference between the present value and book value, on such long-term non-interest bearing financial arrangements was recognized initially to profits and losses. The imputed interests for long-term non-interest bearing financial arrangements were amortized through profits and losses until the maturity date of such financial instruments.

Selling and distribution expenses

During the Track Record Period, all our selling and distribution expenses represented transportation expenses for our raw milk. We did not incur any selling and distribution expenses for the year ended 31 December 2010 because we were not responsible for the transportation of raw milk for

any customers during that period. Our selling and distribution costs were RMB3.3 million, RMB17.4 million, RMB8.1 million and RMB9.2 million for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

Administrative expenses

Our administrative expenses mainly represent salary and welfare for our administrative staff and management, amortization of prepaid land lease payments, travel, meal and entertainment costs and office expenses. Depreciation primarily relates to the depreciation of our property, plant and equipment related to the administrative purposes which is calculated on a straight-line method over the estimated useful life of the asset. We incurred administrative expenses of RMB3.5 million, RMB11.0 million, RMB22.8 million, RMB10.4 million and RMB26.2 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The table below summarizes the components of our administrative expenses by nature during the Track Record Period:

	Year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salary and welfare	863	3,418	5,996	2,178	2,965
Amortization	1,052	1,567	4,049	2,050	2,563
Travel, meal and entertainment	368	1,429	4,917	2,079	2,669
Professional fees	46	250	2,054	544	218
Depreciation	571	129	200	103	239
Insurance	9	1,066	2,642	1,784	1,736
Listing fees	—	—	—	—	14,364
Others	639	3,110	2,985	1,625	1,437
Total	**3,548**	**10,969**	**22,843**	**10,363**	**26,191**

Finance costs

Our finance costs mainly represent interest on bank loans wholly repayable within five years, which include the savings from interest rebates received as a form of government subsidy. We incurred finance costs of RMB0.5 million, RMB24.2 million, RMB45.7 million, RMB19.6 million and RMB58.2 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. For the six months ended 30 June 2013, we had interests on other financial liabilities of RMB31.5 million arising from our Pre-IPO Investments.

In accordance with IAS 32, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to financial liabilities for the present value of the redemption amount.

The Pre-IPO Investors were granted a put option that contains an obligation for the Company to repurchase or purchase its own shares. Therefore, the present value of such instrument was accounted for financial liabilities. The interests calculated by reference to the agreed rate of return, being an internal rate of return of 20% on the subscription price paid by Pre-IPO Investors, were then recognized in profits and losses. Upon the Listing, when the put option lapses, the present value accounted for financial liabilities at that date will be reclassified to the equity of the Company.

Interests on other financial liabilities arising from the Pre-IPO Investments of RMB31.5 million (non-cash in nature) for the six months ended 30 June 2013 were based on an internal rate of return of 20% on the Pre-IPO Subscription Price agreed with and paid by the Pre-IPO Investors, provided that an initial public offering on a qualified exchange does not occur on 1 January 2015. We do not expect to incur such interests when the put option granted to the Pre-IPO Investors lapses upon the Listing.

Imputed interests on non-interest bearing financial arrangements in relation to one of our Shareholders and Feihe Dairy Group were calculated based on costs of debt, including a national interest rate plus risk premium, and the present value of outstanding consideration payable as of the respective balance sheet date. Imputed interests on non-interest bearing financial arrangements of RMB12.2 million, RMB29.0 million, RMB8.3 million and RMB10.4 million were recognized for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

Changes in fair value less costs to sell of biological assets

Our biological assets are classified as non-current assets on our consolidated statements of financial position. We sell our dairy cows to optimize our resources taking into account our herd size and the productivity of our herd. Disposal of our biological assets is not one of our principal activities. Accordingly, the sale of unfit dairy cows are not included as revenue. Such sales are instead reflected as a change in the total fair value of our dairy cows at the respective balance sheet dates. We also capitalize feed and other costs associated with raising heifers and calves. See Note 15 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus for the breakdown in changes in the aggregate value of our biological assets during the Track Record Period.

Changes in fair value less costs to sell of biological assets represent fair value gains/losses on our biological assets and gains/losses from the sale of unfit dairy cows less the costs of selling, due to the changes in physical attributes and market prices of those assets. The fair value of dairy cows is determined based on: (i) the market prices as of the end of each reporting period adjusted with reference to the age and cost to reflect differences in characteristic and/or stages of growth of dairy cows; or (ii) the present value of expected net cash flows from the dairy cows discounted at a current market rate, when market prices are unavailable.

In general, heifers at around 14 months of age are regularly traded; therefore, the fair value less costs to sell of the heifers and calves is determined with reference to their market prices with reasonable adjustments to reflect the age difference. As there is no sufficiently active market for trading of milkable cows, and there are no reliable market prices for milkable cows, the independent valuer has applied the net present value approach to calculate the fair value less costs to sell of milkable cows. As of 31 December 2010, we only had 97 milkable cows and there is no sufficient operation data that can be used for discounted cash flow ("DCF") models. Therefore, the fair value less costs to sell of milkable cows as of 31 December 2010 is determined by reference to market prices of heifers with reasonable adjustments. During the Track Record Period, our biological assets were revalued at each balance sheet date.

We have engaged JLL, an independent valuer, to determine the fair value of our dairy cows as of 31 December 2010, 2011 and 2012 and 30 June 2013. For further information about the independent valuer of our biological assets, see "— Information about the Independent Valuer of Our Dairy Cows."

The following table summarizes the average value per calf, heifer and milkable cow of our herd as of the dates indicated:

	As of 31 December									As of 30 June		
	2010			2011			2012			2013		
	Fair value	Quantity	Average value per head	Fair value	Quantity	Average value per head	Fair value	Quantity	Average value per head	Fair value	Quantity	Average value per head
	RMB'000		RMB	RMB'000		RMB	RMB'000		RMB	RMB'000		RMB
Calves	555	67	8,284	43,917	4,422	9,931	29,046	3,312	8,770	44,486	4,582	9,709
Heifers	170,208	7,729	22,022	315,625	12,847	24,568	296,667	13,045	22,742	321,926	13,321	24,167
Milkable Cows	2,597	97	26,773	445,469	14,950	29,797	615,907	20,643	29,836	620,821	20,885	29,726
Total	**173,360**	**7,893**	**21,964**	**805,011**	**32,219**	**24,986**	**941,620**	**37,000**	**25,449**	**987,233**	**38,788**	**25,452**

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012, we had gains arising from changes in fair value less costs to sell of biological assets of RMB5.6 million, RMB9.9 million, RMB17.7 million and RMB15.4 million, respectively. For the six months ended 30 June 2013, we had losses arising from changes in fair value less costs to sell of biological assets of RMB16.5 million.

Prior to our acquisition of Gannan Oumei Farm and Kedong Oumei Farm, Ruixinda Gannan and YST Heping both experienced substantial changes in the fair values of biological assets. For the year ended 31 December 2010, Ruixinda Gannan incurred losses arising from changes in fair value less costs to sell of biological assets of RMB35.9 million, primarily because a significant number of the milkable cows that Ruixinda Gannan imported were culled either due to their unsatisfactory productivity or to their inability to adjust to the local weather conditions upon their transfer to Northeastern China. For the nine months ended 30 September 2011, YST Heping recorded gains arising from changes in fair value less costs to sell of biological assets of RMB50.8 million, mainly due to: (i) a significant increase in the number of calves due to breeding; (ii) an increase in the number of heifers and milkable cows as the calves matured; and (iii) an increase in the market price of heifers, which are approximately 14 months old, from 2010 to 2011. Historically, we did not have high culling rates because we adopted advanced herd management techniques and ceased to procure imported heifers in March 2011. During the Track Record Period, we experienced a significant increase in the number of self-bred calves, which resulted in gains arising from changes in fair value less costs to sell of biological assets during the Track Record Period.

Valuation approach and key assumptions

The Market Approach is adopted to value calves and heifers. The Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established market may be valued by this approach.

The market price of heifers approximately 14 months of age is a major assumption in this approach, and is determined by referring to the latest average purchase price of heifers of the same age. The fair values of calves and heifers belonging to age groups of less than 14 months are determined by subtracting the breeding costs required to raise the cows from their respective specific ages to 14 months of age with necessary adjustments. The fair values of heifers older than 14 months of age are determined by adding the breeding costs required to raise the dairy cows from 14 months of age to their respective

specific ages with necessary adjustments. The prices of 14-month-old heifers used in the valuation were RMB19,000, RMB21,000, RMB22,000 and RMB21,000 per head as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

The Income Approach is adopted to value milkable cows for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013. The Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present value of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

The fair value of the milkable cows is developed through the application of the income approach technique known as multi-period excess earnings method, or MEEM. MEEM is a derivative of the discounted cash flow method. Using this technique, JLL estimates the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalized at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefits, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are net off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in generating the income projection of the subject biological assets. Examples of such assets include fixed assets and assembled workforce.

During the Track Record Period, the principal valuation assumptions adopted in applying the DCF approach are as follows:

General key assumptions

- the dairy cows are classified into the following categories: milkable cows, heifers, female calves and male calves;
- the milkable cows are supposed to produce milk and give birth to female and male calves at each lactation cycle, the new born male calves will be sold right after birth, and the female calves will be raised up. The calf birth rates (male to female birth ratio) are estimated based on historical record;
- the calf interval (including dry period and open days) is estimated based on historical data and is assumed to be 400 days (each milkable cow will give birth to a calf every 400 days). This 400-day period is one lactation cycle in this valuation exercise;
- the number of the existing cows at the end of each reporting period will be reduced at a certain culling rate due to both natural and unnatural factors, as applicable; the culling rate adopted for each of the first to six lactation cycles is approximately 10%, 13%, 15%, 23%, 35% and 100%, respectively, for milkable cows. These rates are based on the historical breeding data of our herd and future operating plans;

Key assumptions related to revenue

- the average milk yield during the projected period of six lactation cycles, which is the estimated amount of milk that may be produced by a cow. These yields are assumed according to the historical breeding data of our herd and projection in accordance with industry practice. Milk yield is typically low during the first lactation cycle of a cow, compared to when a cow reaches its peak level during the third and fourth lactation cycles, and then decreases in the following lactation cycles;

- the expected average selling prices of raw milk are estimated based on historical data, and are estimated after taking into account a certain percentage of growth for each projected period after considering future inflation in China;

- the prices of female heifers (given birth by milkable cows) at about 14 months of age is determined by referring to the market prices close to each valuation date;

Key assumptions related to costs

- costs are average costs based on historical cost information, and are estimated after taking into account a certain percentage of growth for each projected period after considering future inflation in China; the costs estimated in the cash flow mainly include feed costs, medicine and vaccination costs, insemination costs, labor and other indirect costs, administrative costs and transportation costs; and

Discount rate assumption

- the discount rates used were 14.0%, 14.7% and 13.8% as of 31 December 2011 and 2012 and 30 June 2013, respectively. JLL used the widely accepted Capital Asset Pricing Model ("CAPM") to determine the discount rate. The parameters adopted in CAPM include risk free rate, market risk premium and data of comparable listed companies with the same or similar businesses and location. The procedures employed and assumptions considered in determining the discount rate are consistent with market practice and in line with other dairy cow valuation exercises. For a sensitivity analysis of the fair value changes of our dairy cows to changes in milk prices, discount rates applied, yield per milkable cow and feed costs, see "— Quantitative and Qualitative Disclosures about Market Risk — Fair value change sensitivity analysis."

Based on the above assumptions, the total revenue and expenses from our milkable cows as forecasted in six lactation cycles as of 30 June 2013 was approximately RMB2.98 billion and RMB2.04 billion, respectively.

The following table sets forth a comparison of our actual results and key assumptions adopted in the valuation of our milkable cows as of 31 December 2011 and 2012 and 30 June 2013, respectively:

	As of 31 December				As of 30 June	
	2011		2012		2013	
	Assumption Used	Actual	Assumption Used	Actual	Assumption Used	Actual
Lactation cycle (days)	400	400	400	400	400	400
Projected lactation cycles	6	N/A	6	N/A	6	N/A
Average culling rate (%)	11.67%	8.59%	12.57%	11.77%	13.71%	5.02%
Average milk yield per head (tonnes)[(1)]	8.2–10.1 tonnes per lactation cycle	9.2 tonnes per year	8.2–10.1 tonnes per lactation cycle	8.9 tonnes per year	8.2–10.1 tonnes per lactation cycle	8.6 tonnes per year
Average selling price of raw milk (RMB/kg)	4.08	4.17	4.07	4.10	4.30	4.52
Average feed cost (RMB/kg of raw milk produced)	2.17	2.15	2.10	2.02	2.17	2.14
Price of heifer (at approximately 14 months of age) (RMB)[(2)]	21,000	20,532	22,000	N/A	21,000	N/A
Discount rate (%)	14.02%	N/A	14.70%	N/A	13.82%	N/A

Notes:

(1) The milk yield per head used as an assumption is calculated based on a lactation cycle of 400 days and the actual average milk yield per head is calculated based on a 365-day annual period. The average milk yield per head used as an assumption is represented in a range because: (i) there are six lactation cycles in the assumption; and (ii) milk yield is typically low during the first lactation cycle of a cow, compared to when a cow reaches its peak level during the third and fourth lactation cycles, and then decreases in the following lactation cycles.

(2) The average price of heifers from January to March 2011 was approximately RMB20,532. As we ceased to procure imported heifers in March 2011, we do not have actual prices of heifers after 2012.

In this valuation exercise, most of above assumptions are based on the historical operation data, JLL has fully discussed these assumptions and valuation methodologies with our management. Having considered the qualifications and experience of the JLL team, the procedures and key assumptions adopted by JLL in conducting their valuation and after discussion with JLL and our management, the Joint Sponsors are satisfied that the valuation technique chosen and the inputs used in the valuation are appropriate and reasonable. Our Directors and the Joint Sponsors confirm that the components of material cash flows used in the fair value measurement are consistent with market factors and assumptions used in the measurement.

Income tax expenses

According to the prevailing tax rules and regulations in the PRC, including Article 27 of the *Enterprise Income Tax Law* and Article 86 of the *Regulation on the Implementation of the Enterprise Income Tax Law*, we are engaged in sales of primary agricultural products which entitles us to an exemption from the PRC enterprise income tax for our raw milk sales. As a result, our raw milk sales were not subject to PRC enterprise income tax during the Track Record Period.

Profit for the year/period

We recorded profit of RMB8.1 million, RMB189.9 million, RMB209.7 million, RMB106.1 million and RMB99.6 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. Our profit for the year/period, excluding unrealized fair value gains/losses on biological assets, was RMB2.5 million, RMB180.0 million, RMB192.0 million, RMB90.7 million and RMB116.1 million, respectively, for the same year/period.

Results of Operations

The following table sets forth, for the periods indicated, certain income and expense items from our consolidated statements of comprehensive income and such items as a percentage of our total revenue:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
							(Unaudited)			
Revenue	**337**	**100.0**	**148,785**	**100.0**	**689,113**	**100.0**	**327,382**	**100.0**	**385,129**	**100.0**
Cost of sales	(224)	(66.5)	(97,404)	(65.5)	(428,630)	(62.2)	(200,129)	(61.1)	(234,667)	(60.9)
Gross profit	**113**	**33.5**	**51,381**	**34.5**	**260,483**	**37.8**	**127,253**	**38.9**	**150,462**	**39.1**
Other income	6,461	1,917.2	2,585	1.7	17,513	2.5	1,505	0.5	10,018	2.6
Gains on bargain purchase	—	—	164,417	110.5	—	—	—	—	—	—
Gains from non-interest bearing financial arrangements	—	—	—	—	—	—	—	—	49,195	12.8
Selling and distribution expenses	—	—	(3,294)	(2.2)	(17,383)	(2.5)	(8,052)	(2.5)	(9,248)	(2.4)
Administrative expenses	(3,548)	(1,052.8)	(10,969)	(7.4)	(22,843)	(3.3)	(10,363)	(3.2)	(26,191)	(6.8)
Finance costs	(525)	(155.8)	(24,170)	(16.2)	(45,742)	(6.6)	(19,635)	(6.0)	(58,180)	(15.1)
Changes in fair value less costs to sell of biological assets	5,608	1,664.1	9,903	6.7	17,713	2.6	15,400	4.7	(16,462)	(4.3)
Profit before tax	**8,109**	**2,406.2**	**189,853**	**127.6**	**209,741**	**30.4**	**106,108**	**32.4**	**99,594**	**25.9**
Income tax expense	—	—	—	—	—	—	—	—	—	—
Profit for the year/ period	**8,109**	**2,406.2**	**189,853**	**127.6**	**209,741**	**30.4**	**106,108**	**32.4**	**99,594**	**25.9**
Adjusted profit for the year/period[(1)]	2,501	742.1	15,533	10.4	192,028	27.9	90,708	27.7	66,861	17.4
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(2,440)	(0.6)
Total comprehensive income for the year/period	**8,109**	**2,406.2**	**189,853**	**127.6**	**209,741**	**30.4**	**106,108**	**32.4**	**97,154**	**25.2**

Note:

(1) Adjusted profit for the year/period represents profit for the year/period excluding (i) changes in fair value less costs to sell of biological assets, (ii) gains on bargain purchase, and (iii) gains from non-interest bearing financial arrangements. The adjusted profit for the year/period is not a standard measure under IFRS. We have included the adjusted profit for the year/period as a supplemental financial measure to assess our operating performance. The adjusted profit for the year/period should not be considered independently, or construed as an alternative to profit for the year/period or as an indicator of our operating performance or profitability.

Six months ended 30 June 2013 compared with six months ended 30 June 2012

Revenue

Our revenue increased from RMB327.4 million for the six months ended 30 June 2012 to RMB385.1 million for the six months ended 30 June 2013, primarily due to increases in both our sales volume and average selling price of raw milk. The increase in sales volume of 4,870 tonnes from 80,209 tonnes for the six months ended 30 June 2012 to 85,079 tonnes for the six months ended 30 June 2013 was mainly due to an increase in production volume attributable to the continued expansion of our overall herd size. As a result of our organic growth, the total number of our milkable cows across all four of our dairy farms increased from 20,643 for the six months ended 30 June 2012 to 20,885 for the six months ended 30 June 2013. The increase in our average selling price of raw milk from RMB4,081.6 per tonne for the six months ended 30 June 2012 to RMB4,526.7 per tonne for the six months ended 30 June 2013 was mainly attributable to the increased demand for quality raw milk and decreased supply of raw milk as a result of a significant increase in the culling of cows by individual and small-scale farms whose operations were diminished or shut down due to their low cost efficiencies.

Cost of sales

Our cost of sales increased from RMB200.1 million for the six months ended 30 June 2012 to RMB234.7 million for the six months ended 30 June 2013, primarily due to an increase in production volume and sales volume of our raw milk attributable to our organic growth. Our feed costs, accounting for approximately 80% of our costs of sales, increased from RMB160.2 million for the six months ended 30 June 2012 to RMB181.7 million for the six months ended 30 June 2013 mainly because of increases in feed prices, number of milkable cows and quantities of feed given to our milkable cows during their first lactation cycle in 2013.

Gross profit

As a result of the foregoing, our gross profit increased from RMB127.3 million for the six months ended 30 June 2012 to RMB150.5 million for the six months ended 30 June 2013. Our gross profit margin increased from 38.9% for the six months ended 30 June 2012 to 39.1% for the six months ended 30 June 2013, primarily due to the increase in the average selling price of our raw milk and our economies of scale, as well as our improved operating efficiency, partly offset by the increase in our daily feed costs per cow for the six months ended 30 June 2013.

Other income

Our other income increased substantially from RMB1.5 million for the six months ended 30 June 2012 to RMB10.0 million for the six months ended 30 June 2013 primarily because our government subsidies increased from RMB0.1 million for the six months ended 30 June 2012 to RMB7.6 million for the six months ended 30 June 2013 because we received government subsidies of approximately RMB7 million for our promotion of standardized farming and breeding of cows at Kedong YST Farm.

Gains from non-interest bearing financial arrangements

We had gains from non-interest bearing financial arrangements of RMB49.2 million for the six months ended 30 June 2013 arising from the supplemental agreement we entered into with Feihe Dairy Group in April 2013.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB8.1 million for the six months ended 30 June 2012 to RMB9.2 million for the six months ended 30 June 2013, primarily due to increased transportation expenses as a result of an increase in sales volume.

Administrative expenses

Our administrative expenses substantially increased from RMB10.4 million for the six months ended 30 June 2012 to RMB26.2 million for the six months ended 30 June 2013, primarily due to the overall expansion of our business and preparation for the Listing, which: (i) resulted in expenses in relation to the Listing of RMB14.4 million; (ii) increased our salary and welfare expenses by RMB2.4 million; (iii) increased our travel, meal and entertainment costs by RMB0.6 million; and (iv) increased our amortization of prepaid land lease payments by RMB0.5 million.

Finance costs

Our finance costs substantially increased from RMB19.6 million for the six months ended 30 June 2012 to RMB58.2 million for the six months ended 30 June 2013 primarily because we had interests on other financial liabilities of RMB31.5 million arising from our Pre-IPO Investments for the six months ended 30 June 2013 and interests capitalized of RMB7.1 million for the six months ended 30 June 2012.

Changes in fair value less costs to sell of biological assets

We had gains arising from changes in fair value less costs to sell of dairy cows of RMB15.4 million for the six months ended 30 June 2012 and losses arising from changes in fair value less costs to sell of dairy cows of RMB16.5 million for the six months ended 30 June 2013 primarily because the prices of 14-month-old heifers used in the valuation decreased from RMB22,000 per head as of 31 December 2012 to RMB21,000 per head as of 30 June 2013.

Profit for the period

As a result of the foregoing factors, our profit for the period decreased from RMB106.1 million for the six months ended 30 June 2012 to RMB99.6 million for the six months ended 30 June 2013. Our net profit margin decreased from 32.4% for the six months ended 30 June 2012 to 25.9% for the six months ended 30 June 2013 mainly because: (i) we incurred a significant amount of finance costs, primarily consisting of the interests on other financial liabilities arising from our Pre-IPO Investments; (ii) we had losses arising from changes in fair value less costs to sell of biological assets; and (iii) we incurred substantial administrative expenses, primarily due to expenses in relation to the Listing. Our adjusted net profit margin decreased from 27.7% for the six months ended 30 June 2012 to 17.4% for the six months ended 30 June 2013.

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

Our revenue increased significantly from RMB148.8 million for the year ended 31 December 2011 to RMB689.1 million for the year ended 31 December 2012, primarily due to a substantial increase in our sales volume of raw milk of 132,348 tonnes from 35,722 tonnes for the year ended 31 December 2011 to 168,070 tonnes for the year ended 31 December 2012. The substantial increase in sales volume was mainly due to an increase in production volume attributable to the continued expansion of our overall herd size. As a result of our organic growth, the total number of our milkable cows across all four of our dairy farms increased from 14,950 for the year ended 31 December 2011 to 20,643 for the year ended 31 December 2012. In addition, our sales volume for the year ended 31 December 2012 reflected the full-year production volume of Gannan Oumei Farm and Kedong Oumei Farm, both of which were acquired by us in September 2011, while our total production volume in 2011 only reflected the production volume of these two farms for the fourth quarter of 2011, subsequent to the acquisition. Our average selling price of raw milk remained at a similar level of approximately RMB4,100 per tonne in 2011 and 2012.

Cost of sales

Our cost of sales increased significantly from RMB97.4 million for the year ended 31 December 2011 to RMB428.6 million for the year ended 31 December 2012, primarily due to a significant increase in production volume and sales volume of our raw milk attributable to full-year consolidation of two acquired farms in 2012 and our organic growth. Our feed costs, accounting for approximately 80% of our costs of sales, increased significantly from RMB76.8 million in 2011 to RMB339.3 million in 2012 because of the substantial increase in the feed volume consumed as a result of our enlarged herd size and maturation of our cows.

Gross profit

As a result of the foregoing, our gross profit increased significantly from RMB51.4 million for the year ended 31 December 2011 to RMB260.5 million for the year ended 31 December 2012. Our gross profit margin increased from 34.5% for the year ended 31 December 2011 to 37.8% for the year ended 31 December 2012, primarily because of economies of scale and our improved operating efficiency. Both our daily feed costs per cow and daily feed costs per tonne of raw milk produced decreased in 2012 mainly due to optimized feed formulas and more mature herd structure, reflecting increases in our dry cows as a percentage of milkable cows.

Other income

Our other income increased substantially from RMB2.6 million for the year ended 31 December 2011 to RMB17.5 million for the year ended 31 December 2012 primarily because our government subsidies increased from RMB0.9 million for the year ended 31 December 2011 to RMB14.4 million for the year ended 31 December 2012 because we received government subsidies of RMB10.8 million for breeding of cows at Kedong Oumei Farm and Kedong YST Farm and RMB1.7 million in relation to our milking machines at Zhenlai Farm Phase I in 2012.

Gains on bargain purchase

We recorded a one-time bargain purchase gain of RMB164.4 million for the year ended 31 December 2011 in relation to the acquisition of Gannan Oumei Farm and Kedong Oumei Farm in September 2011. For more details, see "— Description of Components of Results of Operations — Gains on bargain purchase."

Selling and distribution expenses

Our selling and distribution expenses increased significantly from RMB3.3 million for the year ended 31 December 2011 to RMB17.4 million for the year ended 31 December 2012, primarily due to increased transportation expenses as a result of: (i) a substantial increase in sales volume; and (ii) an increase in the average delivery distance in 2012.

Administrative expenses

Our administrative expenses increased from RMB11.0 million for the year ended 31 December 2011 to RMB22.8 million for the year ended 31 December 2012, primarily due to the expansion of business scale as a result of our acquisition of two dairy farms, which: (i) increased our travel, meal and entertainment costs by RMB3.5 million; (ii) increased our salary and welfare expenses by RMB2.6 million; (iii) increased our amortization of prepaid land lease payments by RMB2.5 million; and (iv) increased our insurance expenses by RMB1.6 million.

Finance costs

Our finance costs increased from RMB24.2 million for the year ended 31 December 2011 to RMB45.7 million for the year ended 31 December 2012, primarily due to an increase in non-cash imputed interests on non-interest bearing financial arrangements in relation to Feihe Dairy Group from RMB12.2 million in 2011 to RMB29.0 million in 2012 and a decrease in interests capitalized from RMB10.5 million in 2011 to RMB7.1 million in 2012, while the interest on bank loans remained at a similar level.

Changes in fair value less costs to sell of biological assets

We had gains arising from changes in fair value less costs to sell of dairy cows of RMB9.9 million and RMB17.1 million for the years ended 31 December 2011 and 2012, respectively. The increase in changes in fair value less costs to sell of dairy cows from 2011 to 2012 was mainly due to our increased herd size and the increase in the prices of 14-month-old heifers used in the valuation.

Profit for the year

As a result of the foregoing factors, our profit for the year increased from RMB189.9 million for the year ended 31 December 2011 to RMB209.7 million for the year ended 31 December 2012. Our net profit margin decreased from 127.6%, as a result of our one-time bargain purchase gain, for the year ended 31 December 2011 to 30.4% for the year ended 31 December 2012. Our adjusted net profit margin increased from 10.4% for the year ended 31 December 2011 to 27.9% for the year ended 31 December 2012. As we were in an early stage with relatively small herd size in 2011, the percentage of administrative and finance costs to revenue was higher than that in 2012 when our herd size increased significantly due to the acquisition. Following the maturity of our herd and stabilization of our business, we consider our net profit margin for the year ended 31 December 2012 as a normal indicator of our general profitability.

Year ended 31 December 2011 compared with year ended 31 December 2010

Revenue

Our revenue increased significantly from RMB0.3 million for the year ended 31 December 2010 to RMB148.8 million for the year ended 31 December 2011. The increase in revenue reflects a significant increase in our sales volume of raw milk of 35,627 tonnes from 95 tonnes for the year ended 31 December 2010 to 35,722 tonnes for the year ended 31 December 2011 and an increase in the average selling price of our raw milk from RMB3,547.4 per tonne for the year ended 31 December 2010 to RMB4,165.1 per tonne for the year ended 31 December 2011.

The substantial increase in sales volume was due primarily to an increase in production volume attributable to our acquisition of Gannan Oumei Farm and Kedong Oumei Farm in September 2011, which resulted in the addition of 10,937 milkable cows to our overall herd. As a result of this acquisitive growth, the total number of our milkable cows increased from 97 for the year ended 31 December 2010 to 14,950 for the year ended 31 December 2011. To a lesser extent, the increase in sales volume was also due to an increase in production volume attributable to the expansion of the herd size at our first two dairy farms, Kedong YST Farm and Zhenlai Farm Phase I, which was a result of an increase in number of milkable cows at these two farms of 3,506 from 97 for the year ended 31 December 2010 to 3,603 for the year ended 31 December 2011.

The increase in average selling price of our raw milk was mainly due to: (i) the substantially increased production volume of our raw milk during the period from our acquisition of two dairy farms in September 2011 to the end of 2011, when selling prices of raw milk were seasonally higher than the average of the other times of the year; and (ii) to a lesser extent, an increase in market demand for premium raw milk and the improved quality of our raw milk.

Cost of sales

Our cost of sales increased substantially from RMB0.2 million for the year ended 31 December 2010 to RMB97.4 million for the year ended 31 December 2011, primarily due to a substantial increase in production volume and sales volume of our raw milk resulting from our acquisition of two dairy farms and an increase in the number of milkable cows in Kedong YST Farm and Zhenlai Farm Phase I in 2011.

Gross profit

As a result of the foregoing, our gross profit increased significantly from RMB0.1 million for the year ended 31 December 2010 to RMB51.4 million for the year ended 31 December 2011. Our gross profit margin increased from 33.5% for the year ended 31 December 2010 to 34.5% for the year ended 31 December 2011, primarily because of economies of scale and an increase in average selling price of our raw milk.

Other income

Our other income decreased from RMB6.5 million for the year ended 31 December 2010 to RMB2.6 million for the year ended 31 December 2011, primarily due to a decrease in government subsidies from RMB5.0 million in 2010 to RMB0.9 million in 2011.

Gains on bargain purchase

We recorded a one-time bargain purchase gain of RMB164.4 million for the year ended 31 December 2011 in relation to the acquisition of Gannan Oumei Farm and Kedong Oumei Farm in September 2011. For more details, see "— Description of Components of Results of Operations — Gains on bargain purchase."

Selling and distribution expenses

We did not incur selling and distribution expenses for the year ended 31 December 2010 because we were not responsible for the transportation of raw milk for any customers. We incurred selling and distribution expenses of RMB3.3 million for the year ended 31 December 2011 in relation to costs of arranging transportation of raw milk for certain customers.

Administrative expenses

Our administrative expenses increased from RMB3.5 million for the year ended 31 December 2010 to RMB11.0 million for the year ended 31 December 2011, primarily due to our acquisition of two dairy farms and organic growth, which resulted in increases in: (i) salary and welfare expenses of RMB2.6 million; (ii) other expenses, mainly office expenses, of RMB2.5 million; (iii) insurance of RMB1.1 million; and (iv) travel, meal and entertainment costs of RMB1.1 million.

Finance costs

Our finance costs increased significantly from RMB0.5 million for the year ended 31 December 2010 to RMB24.2 million for the year ended 31 December 2011, primarily due to incurrence of non-cash imputed interests on non-interest bearing financial arrangements in relation to Feihe Dairy Group of RMB12.2 million and a substantial increase in interest on bank loans wholly repayable within five years because we secured new bank loans in 2011 to facilitate the construction of Zhenlai Farm Phase I and assumed existing bank loans of Kedong Oumei Farm upon our acquisition. This increase was partly offset by an increase in interests capitalized from RMB5.0 million in 2010 to RMB10.5 million in 2011.

Changes in fair value less costs to sell of biological assets

We had gains arising from changes in fair value less costs to sell of dairy cows of RMB5.6 million and RMB9.9 million for the years ended 31 December 2010 and 2011, respectively. The increase in changes in fair value less costs to sell of dairy cows from 2010 to 2011 was mainly due to our increased herd size and the increase in the prices of 14-month-old heifers used in the valuation.

Profit for the year

As a result of the foregoing factors, our profit for the year increased significantly from RMB8.1 million for the year ended 31 December 2010 to RMB189.9 million for the year ended 31 December 2011. Our net profit margin was exceptionally high for the year ended 31 December 2010 primarily because we recorded a substantial amount of other income, mainly comprising government subsidies, and gains arising from changes in fair value less costs to sell of biological assets, compared to our limited revenue during the same period. Our net profit margin was 127.6% for the year ended 31

December 2011 primarily due to a one-time gain on bargain purchase recorded in 2011. Our adjusted net profit margin for the year ended 31 December 2011 was 10.4% due to relatively high percentage of administrative and finance costs to revenue as we were still in an early stage of business expansion.

Liquidity and Capital Resources

Our primary liquidity requirements relate to investments in construction of farming facilities and equipment as well as funding our working capital and normal recurring expenses. To date, we have financed our cash requirements through a combination of cash generated from operating activities, the proceeds from the Pre-IPO Investments, bank loans and the proceeds of capital contributions from our Shareholders. In the future, we expect to continue relying on cash flows from operations, the proceeds from the Global Offering and other debt and equity financing to fund our working capital needs and finance part of our business expansion.

Cash flow

Cash flows from operating activities represent the inflows of cash from the sale of our raw milk and the outflows of cash for inventory purchases, feed purchases, selling and distribution expenses and other operating expenses and taxes, if any. Cash flows used in investing activities primarily represent capital expenditure for property, plant and equipment and purchases of biological assets. Cash flows from financing activities primarily represent contributions from the shareholders and bank loans while cash outflows from financing activities represent repayments of bank loans.

The following table sets forth the selected cash flow information for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash and cash equivalents at beginning of year	38,604	73,882	17,419	17,419	7,748
Net cash flows from operating activities	213,146	74,706	128,837	21,267	23,044
Net cash flows used in investing activities	(299,188)	(563,735)	(219,320)	(43,853)	(162,161)
Net cash flows from financing activities	121,320	432,566	80,812	28,205	539,088
Net increase/(decrease) in cash and cash equivalents	35,278	(56,463)	(9,671)	5,619	399,971
Effect of foreign exchange rate changes, net	—	—	—	—	250
Cash and cash equivalents at end of year	73,882	17,419	7,748	23,038	407,969

Cash flows from operating activities

Cash flows from operating activities are principally derived from the receipt of payments for the sale of our raw milk. Cash used in operating activities is mainly used to pay for costs and expenses relating to operating our farms.

Our net cash flows from operating activities was RMB23.0 million for the six months ended 30 June 2013, primarily consisting of cash from operations of RMB23.0 million. Our cash generated from operations consisted of cash flow from operating activities before working capital adjustments of RMB201.6 million and net negative changes in working capital of RMB178.6 million. Net negative working capital adjustments primarily consisted of: (i) a decrease in other payables and accruals of

RMB141.4 million, which was primarily due to the settlement of the purchase price of our two dairy farms by the sales of raw milk to Feihe Dairy Group and payments to our suppliers; and (ii) a decrease in amounts due to related companies of RMB42.5 million due to the settlement of payables due to HLJ Beian NKTH. Such negative changes were partially offset by a decrease in inventories of RMB50.6 million, which was primarily due to the consumption of corn silage, which we typically stock in the fourth quarter of the calendar year as feed reserve for the next 12 months.

Our net cash flows from operating activities was RMB128.8 million for the year ended 31 December 2012, primarily consisting of cash generated from operations of RMB128.7 million. Our cash generated from operations consisted of cash flow from operating activities before working capital adjustments of RMB277.8 million and net negative changes in working capital of RMB149.1 million. Net negative working capital adjustments primarily consisted of: (i) a decrease in other payables and accruals of RMB217.8 million, which was primarily due to the settlement of the purchase price of our two dairy farms by the sales of raw milk to Feihe Dairy Group, payments to our suppliers for the purchase of cows, and payments to certain third parties in relation to our Reorganization; (ii) an increase in trade receivables of RMB24.5 million due to an increase in sales of raw milk and an extended credit term granted to certain customer; and (iii) an increase in inventories of RMB14.1 million, primarily relating to the increased feed reserves as a result of our expanded scale of operation. Such negative changes were partially offset by: (i) an increase in trade payables of RMB65.1 million due to the increase in our purchases of feed in line with the growth in size of our herd; (ii) a decrease in prepayments and other receivables of RMB26.7 million due to delivery of our purchase of feed; and (iii) an increase in amounts due to related companies of RMB15.0 million, primarily consisting of payables due to HLJ Beian NKTH, which was used to fund our operational needs.

Our net cash flows from operating activities was RMB74.7 million for the year ended 31 December 2011, primarily consisting of cash generated from operations of RMB74.6 million. Our cash generated from operations consisted of cash flow from operating activities before working capital adjustments of RMB55.5 million and net positive changes in working capital of RMB19.1 million. Net positive working capital adjustments primarily consisted of: (i) a decrease in prepayments and other receivables of RMB97.2 million due to the delivery of dairy cows and feed that we purchased; and (ii) an increase in trade payables of RMB68.0 million due to the increase in our purchases of feed. Such positive changes were partially offset by: (i) gain on bargain purchase of RMB164.4 million; (ii) a decrease in other payables and accruals of RMB82.6 million, primarily due to the settlement of payables in relation to the construction of farms and purchase of dairy cows; and (iii) an increase in inventories of RMB48.6 million due to increases in our feed reserves.

Our net cash flows from operating activities was RMB213.1 million for the year ended 31 December 2010, primarily consisting of cash generated from operations of RMB213.0 million. Our cash generated from operations consisted of cash flow from operating activities before working capital adjustments of RMB5.0 million and net positive changes in working capital of RMB208.1 million. Net positive working capital adjustments primarily consisted of: (i) an increase in other payables and accruals of RMB148.6 million, which primarily consisted of payables for purchasing dairy cows and property, plant and equipment and advances received from Aibeite; (ii) a decrease in prepayments and other receivables of RMB64.3 million due to the deliveries of dairy cows; and (iii) an increase in trade payables of RMB26.3 million due to increases in feed purchases as a result of our enlarged herd size. Such positive changes were partially offset by an increase in inventories of RMB48.0 million, which related to feed reserves.

Cash flows from investing activities

Cash used in investing activities mainly consists of purchases of items of property, plant and equipment, purchases of biological assets, acquisitions of subsidiaries, and increases in deposits of property, plant and equipment. Cash inflow from investing activities mainly represents proceeds from the disposal of biological assets and the receipt of government grants.

For the six months ended 30 June 2013, our net cash flows used in investing activities was RMB162.2 million. Our net cash outflows for investing activities mainly consisted of: (i) purchases of property, plant and equipment of RMB106.8 million, which primarily related to facilities and equipment at Kedong YST Farm and Zhenlai Farm Phase I; and (ii) additions to biological assets, which represented capitalized costs for raising our heifers and calves of RMB90.1 million, partially offset by proceeds from the disposal of biological assets of RMB28.0 million.

For the year ended 31 December 2012, our net cash flows used in investing activities was RMB219.3 million. Our net cash outflows for investing activities mainly consisted of: (i) purchases of property, plant and equipment of RMB175.7 million, which primarily related to facilities and equipment at Kedong YST Farm and Zhenlai Farm Phase I; and (ii) additions to biological assets, which represented capitalized costs for raising our heifers and calves of RMB142.7 million, partially offset by: (i) a decrease in deposits for property, plant and equipment of RMB77.5 million due to our settlement of payments to construction contractors and equipment suppliers; and (ii) proceeds from the disposal of biological assets of RMB23.8 million.

For the year ended 31 December 2011, our net cash flows used in investing activities was RMB563.7 million. Our net cash outflows for investing activities mainly consisted of: (i) purchases of property, plant and equipment of RMB270.1 million, which primarily related to facilities and equipment at Kedong YST Farm and Zhenlai Farm Phase I; (ii) additions to biological assets, which represented the capitalized costs for raising our heifers and calves of RMB89.0 million and purchases of biological assets of RMB40.5 million; (iii) the settlements of the consideration for the acquisition of Kedong Oumei Farm and Gannan Oumei Farm of RMB110.2 million; and (iv) an increase in deposits for property, plant and equipment of RMB73.1 million, primarily relating to construction of Kedong YST Farm and Zhenlai Farm Phase I, partially offset by proceeds from the disposal of biological assets of RMB11.5 million.

For the year ended 31 December 2010, our net cash flows used in investing activities was RMB299.2 million. Our net cash outflows for investing activities mainly consisted of: (i) purchases of property, plant and equipment of RMB160.2 million, which primarily related to facilities and equipment at Kedong YST Farm; and (ii) additions to biological assets, which represented capitalized costs for raising our heifers and calves of RMB19.2 million and purchases of biological assets of RMB148.9 million, partially offset by: (i) a decrease in deposits of property, plant and equipment of RMB14.5 million, primarily due to our settlement of payments to construction contractors and equipment suppliers; and (ii) receipt of government grants of RMB12.2 million.

Cash flows from financing activities

Cash inflow from financing activities mainly consisted of new bank borrowings. Cash used in financing activities primarily consists of repayments of bank borrowings.

For the six months ended 30 June 2013, our net cash flows from financing activities was RMB539.1 million. Our net cash flows from financing activities consisted of: (i) an increase in other financial liabilities of RMB585.2 million as a result of our Pre-IPO Investments; and (ii) capital contributions from our Shareholders of RMB455.5 million, partly offset by: (i) a decrease in amounts due to related companies of RMB281.6 million due to repayments to HLJ Beian NKTH; and (ii) repayment to our Shareholders of RMB136.4 million in relation to our Reorganization.

For the year ended 31 December 2012, our net cash flows from financing activities was RMB80.8 million. Our net cash flows from financing activities mainly consisted of: (i) an increase in amounts due to related companies of RMB118.0 million, primarily consisting of payables due to HLJ Beian NKTH, which was used to fund our operational needs; and (ii) new bank borrowings of RMB100.0 million used as working capital at Kedong Oumei Farm and Kedong YST Farm, partly offset by repayments of interest-bearing bank borrowings of RMB126.5 million.

For the year ended 31 December 2011, our net cash flows from financing activities was RMB432.6 million. Our net cash flows from financing activities consisted of: (i) new bank borrowings of RMB260.0 million, of which RMB200.0 million was used for construction of Zhenlai Farm Phase I; (ii) an increase in amounts due to related companies of RMB147.7 million, primarily consisting of payables due to HLJ Beian NKTH, which was used to fund our operational needs; and (iii) an increase in amounts due to our Shareholders of RMB103.6 million in relation to our Reorganization, partly offset by repayments of interest-bearing bank borrowings of RMB49.2 million made by YST Heping and YST Heilongjiang.

For the year ended 31 December 2010, our net cash flows from financing activities was RMB121.3 million. Our net cash flows from financing activities mainly consisted of: (i) a capital injection of RMB101.0 million from YST Heilongjiang; and (ii) new bank borrowings of RMB40.0 million, which was used for construction of Kedong YST Farm, partly offset by repayments of interest-bearing bank borrowings of RMB30.1 million made by YST Heping and YST Heilongjiang.

Working capital

Working capital is critical to our financial performance and we must maintain sufficient liquidity and financial flexibility to continue our daily operations. Our current assets primarily consist of inventories, cash and cash equivalents, trade receivables, prepayments and other receivables and amounts due from shareholders. Our current liabilities primarily consist of other payables, trade payables, interest-bearing bank borrowings, amounts due to related companies and amounts due to directors. We manage our working capital by closely monitoring the levels of our trade payables and other payables as well as inventories. Our cash position consists primarily of cash and bank balances.

As of 31 December 2012 and 30 June 2013, we had cash and cash equivalents of RMB7.7 million and RMB408.0 million, respectively. During the Track Record Period, we were able to finance approximately 50% of the costs of farm construction using bank loans. Taking into account our cash and cash equivalents on hand, cash generated from our future operations, the proceeds from the Pre-IPO Investments, available banking facilities of approximately RMB586 million as of the Latest Practicable Date and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital to meet our present and future financial requirements for at least 12 months from the date of this Prospectus.

The table below sets forth the information on our financial position as of the dates indicated:

	As of 31 December			As of 30 June	As of 30 September
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets					
Inventories	48,456	125,051	139,122	88,508	143,721
Trade receivables	—	46,343	70,886	70,444	64,093
Prepayments and other receivables	1,874	36,932	10,195	22,651	287,699
Prepaid land lease payments	1,052	3,165	4,546	4,546	4,546
Amount due from related companies	—	1,000	510	—	—
Cash and cash equivalents	73,882	17,419	7,748	407,969	73,509
Total current assets	125,264	229,910	233,007	594,118	573,568
Current liabilities					
Trade payables	26,320	142,586	207,655	176,830	219,157
Other payables and accruals	354,610	796,140	829,529	290,220	562,003
Amount due to shareholders	300	103,900	134,521	—	—
Amount due to related companies	94,372	233,091	366,106	41,717	62,515
Other financial liabilities	—	—	—	616,726	649,972
Interest-bearing bank borrowings	31,980	126,497	166,497	186,755	164,517
Total current liabilities	507,582	1,402,214	1,704,308	1,312,248	1,658,164
Net current liabilities	**(382,318)**	**(1,172,304)**	**(1,471,301)**	**(718,130)**	**(1,084,596)**

We had net current liabilities of RMB382.3 million, RMB1,172 million, RMB1,471.3 million and RMB718.1 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Because establishing new farms requires significant capital and there is typically a time lag of two years between our investment of capital and the commencement of production and sales of raw milk at these new farms, we usually use bank loans and shareholder loans to finance our operations before we are able to generate sufficient cash flows from our investment in the new farms. We also incurred a significant amount of other payables for construction in progress relating to our own farms. In addition, we assumed additional bank borrowings and other payables as a result of our acquisition of Kedong Oumei Farm and Gannan Oumei Farm in September 2011. As a result, we were in a net current liabilities position throughout the Track Record Period. We expect that by: (i) receiving the proceeds from the Global Offering; (ii) reclassification of the Pre-IPO Investments from liabilities to equity upon the Listing; and (iii) utilizing cash flows from operating activities as our farms reach a mature stage, our net current liabilities position will improve. Our net current liabilities increased by RMB366.5 million, from RMB718.1 million as of 30 June 2013 to RMB1,084.6 million as of 30 September 2013, mainly because we repaid long-term bank loans in cash of approximately RMB349 million during the third quarter of 2013.

As of the Latest Practicable Date, we did not have any material adverse change in our net current liability position.

Discussion of certain items from the statements of financial position

Inventories

Our inventories consisted of feed and other raw materials, such as veterinary drugs and imported bull semen. Due to the perishable nature of our raw milk, we do not hold inventories of raw milk. We typically deliver raw milk to our customers on a daily basis. Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of manufacturing overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

The following table sets forth the details of our inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Feed	46,847	115,431	130,623	82,412
Others	1,609	9,620	8,499	6,096
Total	48,456	125,051	139,122	88,508

Our inventories increased from RMB48.5 million as of 31 December 2010 and RMB125.1 million as of 31 December 2011 to RMB139.1 million as of 31 December 2012, primarily due to increases in our procured advanced supplies as our feed reserves in response to our expanded herd size. Our inventories decreased to RMB88.5 million as of 30 June 2013 mainly because we typically purchase corn silage in the fourth quarter of the calendar year as feed reserve for the next 12 months, resulting in higher inventories at year end than during the year.

Trade receivables

Trade receivables primarily represent our trade receivables from a limited number of credit sales of our raw milk, less impairment provisions, if any. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	46,343	70,886	70,444
Impairment	—	—	—	—
Total	—	46,343	70,886	70,444

Trade receivables are initially recognized at fair value and subsequently measured at amortized costs less allowance for impairment of doubtful debts. For the determination of allowance for impairment provisions, we consider factors such as the significant financial difficulties of the debtors, the probability that the debtor will file for bankruptcy or be subject to a financial reorganization, and the possibility of default or delinquent payments. During the Track Record Period, no impairment of trade receivables was provided.

Our trading terms with our customers are mainly on credit. The credit period is generally one month. We seek to maintain strict control over our outstanding receivables and have a credit control mechanism to minimize credit risk. Overdue balances are reviewed regularly by senior management. As such, and due to the fact that our trade receivables relate to a few number of customers, there is significant concentration of credit risk. See Note 32 of Section II of the Accountants' Report included as Appendix IA to this Prospectus. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	—	45,924	41,051	66,756
Over one month and within two months	—	—	15,363	3,688
Over two months	—	419	14,472	—
Total	—	46,343	70,886	70,444

Trade payables

Our trade payables primarily comprise purchases of feed from our suppliers. Our trade payables increased significantly from RMB26.3 million as of 31 December 2010, to RMB142.6 million as of 31 December 2011 and further to RMB207.7 million as of 31 December 2012, primarily due to the increase in our purchases of feed in line with the growth in size of our herd. Our trade payables decreased to RMB176.8 million as of 30 June 2013 mainly due to repayments to our feed suppliers.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within two months	19,958	100,303	110,393	76,695
Two to six months	5,460	31,431	60,836	53,021
Six to 12 months	902	10,632	18,376	32,272
Over 12 months	—	220	18,050	14,842
Total	26,320	142,586	207,655	176,830

Trade payables are non-interest-bearing and are normally settled between two to six months.

Our Directors confirm that we did not have material defaults in payment of trade payables as of the Latest Practicable Date.

Prepayments and other receivables

Prepayments primarily represent prepayments in connection with purchases of feed and equipment. Other receivables primarily represent advances to our employees. As of 31 December 2010, 2011 and 2012 and 30 June 2013, our prepayments and other receivables were RMB1.9 million, RMB36.9

million, RMB10.2 million and RMB22.7 million, respectively. The significant increase in our prepayment and other receivables in 2011 was because of our expanded operations and acquisition of farms.

Other payables and accruals

Other payables and accruals comprise deferred income and other payables. Deferred income primarily represents government subsidies that are received but not recognized. Other payables mainly represent construction in progress payables, payables to Feihe Dairy Group in relation to our acquisition of two dairy farms and payments for imported dairy cows. The following table sets forth the details of other payables and accruals as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income	12,179	19,954	21,439	20,376
Other payables	342,431	1,014,696	808,090	546,360
	354,610	1,034,650	829,529	566,736
Non-current portion	—	(238,510)	—	(276,516)
Current portion	354,610	796,140	829,529	290,220

The balance of our deferred income as of 31 December 2010, 2011 and 2012 and 30 June 2013 was RMB12.2 million, RMB20.0 million, RMB21.4 million and RMB20.4 million, respectively. Our other payables increased significantly from RMB342.4 million as of 31 December 2010 to RMB1,014.7 million as of 31 December 2011, then decreased to RMB808.1 million as of 31 December 2012 and further to RMB546.4 million as of 30 June 2013. As of 31 December 2010, 2011 and 2012 and 30 June 2013, our other payables and accruals were RMB354.6 million, RMB796.1 million, RMB829.5 million and RMB290.2 million, respectively.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Payables to Feihe Dairy Group	—	678,465	598,287	445,255
Other payables — construction	141,569	80,923	78,251	56,206
Other payables — equipment and materials	57,987	119,301	48,833	15,207
Others[(1)]	142,875	136,007	82,719	29,692
Total	**342,431**	**1,014,696**	**808,090**	**546,360**

Note:

(1) Others under other payables mainly represent payables to third parties for our working capital needs, payables for purchasing cows and payables for land.

The significant increase in our other payables in 2011 was due to our acquisition of two dairy farms, which incurred substantial payables to Feihe Dairy Group, and construction of new farms. Our payables to Feihe Dairy Group, consisting of the advances for overseas procurements of heifers and the

remaining consideration stated as amortized cost for the acquisition of two farms, were RMB678.5 million, RMB598.3 million and RMB445.3 million, respectively, as of 31 December 2011 and 2012 and 30 June 2013. The amount for overseas procurements has been fully settled in June 2013, and the amount for the remaining consideration will be settled in 11 quarterly installments by delivery of raw milk or in cash pursuant to the supplemental agreement we entered into with Feihe Dairy Group in April 2013. Our other payables in relation to construction decreased from RMB141.6 million as of 31 December 2010 to RMB80.9 million as of 31 December 2011 and RMB78.3 million as of 31 December 2012, and further to RMB56.2 million as of 30 June 2013 mainly because we completed construction of our facilities and settled payments with contractors. Our payables in relation to equipment and materials increased significantly from 2010 to 2011 primarily due to our procurement of equipment for the construction of Kedong YST Farm and Zhenlai Farm Phase I. Our payables in relation to equipment and materials decreased from RMB48.8 million as of 31 December 2012 to RMB15.2 million as of 30 June 2013 mainly as a result of the settlement of payables for purchases of equipment and materials in relation to the construction of our farms. Others under other payables and accruals decreased from RMB82.7 million as of 31 December 2012 to RMB29.7 million as of 30 June 2013 due to our repayments of borrowings from non-related parties.

Our Directors confirm that we did not have material defaults in payment of other payables as of the Latest Practicable Date.

Analysis of Inventories, Trade Receivables and Trade Payables Turnover

The following table sets forth the turnover days of our inventories, trade receivables and trade payables for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	(days)	(days)	(days)	(days)
Inventories[(1)]	460.3	169.9	84.4	63.1
Trade receivables[(2)]	—	56.8	31.0	33.0
Trade payables[(3)]	247.6	165.4	111.9	106.6

Notes:

(1) Average turnover days of inventories for a year equals average inventory divided by cost of sales and capitalized costs in relation to raising heifers and calves and multiplied by 365 days. Average turnover days of inventories for a six-month period equals average inventory divided by cost of sales and capitalized costs in relation to raising heifers and calves and multiplied by 180 days. Average inventory equals inventory net of inventory provision at the beginning of the period plus inventory net of inventory provision at the end of the period divided by two.

(2) Average turnover days of trade receivables for a year equals average trade receivables divided by sales of raw milk and multiplied by 365 days. Average turnover days of trade receivables for a six-month period equals average trade receivables divided by sales of raw milk and multiplied by 180 days. Average trade receivables equal trade receivables at the beginning of the period plus trade receivables at the end of the period divided by two.

(3) Average turnover days of trade payables for a year equals average trade payables divided by cost of sales and capitalized costs in relation to raising heifers and calves and multiplied by 365 days. Average turnover days of trade payables for a six-month period equals average trade payables divided by cost of sales and capitalized costs in relation to raising heifers and calves and multiplied by 180 days. Average trade payables equal trade payables at the beginning of the period plus trade payables at the end of the period divided by two.

Our average inventory turnover days were 460.3 days, 169.9 days, 84.4 days and 63.1 days for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Our average inventory turnover days during the Track Record Period were high because we generally purchased feed at year end to ensure sufficient feed reserves for the expected enlarged herd during the following year. Our average inventory turnover days for the year ended 31 December 2010 were particularly high because our herd size was small in 2010 and therefore the cost of sales and capitalized costs in relation to raising heifers and calves were minimal. Our average inventory turnover days decreased in the first half of 2013 mainly because we typically purchase corn silage in the fourth quarter of the calendar year as feed reserve for the next 12 months, resulting in higher inventories at year end than during the year. The decrease in our average inventory turnover days was in line with the increased feed consumption of our milkable cows and heifers and calves as our herd size grew.

Our average trade receivable turnover days decreased from 56.8 days for the year ended 31 December 2011 to 31.0 days for the year ended 31 December 2012 and remained at a similar level for the six months ended 30 June 2013. We did not have trade receivables in 2010 as the limited amount of our raw milk produced in 2010 was used to settle our payment to Feihe Dairy Group for the purchase of dairy cows from Kedong Oumei Farm, which was then owned by Feihe Dairy Group. Our average trade receivable turnover days were higher in 2011 than in 2012 primarily because of the mathematical distortion caused by our acquisition of the two dairy farms in September 2011. Our calculation of trade receivables turnover days for the year ended 31 December 2011 takes into consideration the fact that: (i) while average trade receivables is calculated by dividing the sum of the beginning and ending balances of our trade receivables of the year, only trade receivables at the end of 2011 were used to derive the average trade receivables for the full year because we did not have trade receivables at the beginning of the year; and (ii) we consolidated the financial results of the two dairy farms in the fourth quarter of 2011 after the closing of the acquisition. Our trade receivables at the end of 2011 primarily reflected the trade receivables of the two newly acquired dairy farms. In addition, this trade receivables reflected our arrangement with Feihe Dairy HLJ to settle the outstanding balance of the purchase price for the two acquired farms through quarterly raw milk payments and our delivery of raw milk to another designated subsidiary of Feihe Dairy Group. The delivery of raw milk to such designated subsidiary of Feihe Dairy Group were recorded as trade receivables and did not offset such payable balance relating to the acquisition consideration in our accounting records. Because we were only able to consolidate the financial results of these two dairy farms after the closing of the acquisition, our sales of raw milk in 2011 did not respond to our trade receivables at the end of the year for purposes of the average turnover days analysis. As a result, we had higher trade receivables turnover days in 2011 than in 2012.

Our average trade payable turnover days were 247.6 days, 165.4 days, 111.9 days and 106.6 days for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. Our cost of sales was low in 2010 because our herd size was very small and therefore we had only limited raw milk production volumes in that year. However, because we anticipated that we would have a substantially enlarged herd size in 2011, we procured a large amount of feed at the end of 2010, which resulted in high trade payables as of the end of 2010. Because we substantially enlarged our herd size following the acquisition of two dairy farms in 2011, our average trade payables in 2011 were also relatively high as we increased our purchases of feed to ensure sufficient feed reserves for the following year. Our average trade payables turnover days for the full year remained high because our cost of sales for 2011 increased after we acquired these two dairy farms in September of the same year. In 2012 and the first half of 2013, as our herd structure and business operations matured, our trade payables turnover days became normal.

Biological assets

Our biological assets are our dairy cows. During the Track Record Period, the value of our dairy cows fluctuated primarily due to purchases of heifers, acquisitions of two dairy farms, costs of raising dairy cows (feeding costs and other costs), transfers from heifers and calves to milkable cows, sales, and gains/losses arising from changes in fair value less costs to sell. The table below sets forth a breakdown of the value of our dairy cows as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Milkable cows	2,597	445,469	615,907	620,821
Heifers and calves	170,763	359,541	325,713	366,412
Total dairy cows	173,360	805,010	941,620	987,233

The increase in the value of our dairy cows from RMB173.4 million in 2010 to RMB805.0 million in 2011 was mainly a result of: (i) our acquisition of two dairy farms in September 2011 and the resulting increase in the value of dairy cows of RMB503.7 million; (ii) an increase due to raising of RMB89.0 million, comprising the increase in self-bred heifers and calves to our herd and the feeding costs and other costs related to raising those heifers and calves; and (iii) an increase due to purchases of heifers primarily for our farms, amounting to RMB40.5 million. The increase in the value of our dairy cows from RMB805.0 million in 2011 to RMB941.6 million in 2012 was mainly a result of an increase due to raising of RMB142.7 million, comprising the increase in self-bred heifers and calves to our herd and the feeding costs and other costs related to raising those heifers and calves. The increase in the value of our dairy cows from RMB941.6 million in 2012 to RMB987.2 million for the first half of 2013 was primarily because of an increase due to raising of RMB90.1 million, comprising the increased number of self-bred heifers and calves to our herd and the feeding costs and other costs related to raising those heifers and calves.

Key financial ratios

The table below sets forth our key financial ratios as of and for the periods indicated:

	As of and for the year ended 31 December			As of and for the six months ended 30 June
	2010	2011	2012	2013
Current ratio	0.25	0.16	0.14	0.45
Quick ratio	0.15	0.07	0.06	0.39
Gearing ratio	31.1%	55.5%	43.6%	3.5%
Return on equity ratio	4.2%	49.9%	35.5%	8.7%

Our current assets divided by current liabilities, or current ratio, was 0.25, 0.16, 0.14 and 0.45 as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Our current assets after subtraction of inventories divided by current liabilities, or quick ratio, was 0.15, 0.07, 0.06 and 0.39 as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The decreases in our current ratios and quick ratios from 2010 to 2011 were primarily due to increases in our current liabilities in relation to the construction of Kedong YST Farm and Zhenlai Farm Phase I during the Track Record Period and our acquisition of two dairy farms in September 2011. The decreases in our current ratios

and quick ratios from 2011 to 2012 were mainly due to increases in our current liabilities in relation to our Reorganization. Our current ratio and quick ratio increased significantly as of 30 June 2013 primarily because of our increased profit and the capital injection into one of our subsidiaries of approximately RMB459 million from Ms. SX Li in the first half of 2013.

A liability to asset ratio is calculated by dividing total liabilities by total assets as of each balance sheet date. Our liability to asset ratio as of 31 December 2010, 2011 and 2012 and 30 June 2013 was 76.9%, 84.0%, 77.2% and 62.5%, respectively.

Consistent with others in the industry, we monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt. Our gearing ratios for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were 31.1%, 55.5%, 43.6% and 3.5%, respectively. The increase in our gearing ratios from 2010 to 2011 was primarily due to increases in bank borrowings to finance our extensive investments in construction of Kedong YST Farm and Zhenlai Farm Phase I during the Track Record Period. The decrease in our gearing ratios from 2011 to 2012 was because our capital increased and net debt decreased in 2012. The significant decrease in our gearing ratio in the first half of 2013 was mainly due to our increased equity resulting from the capital injection into one of our subsidiaries of approximately RMB459 million from Ms. SX Li in the first half of 2013.

Return on equity, or ROE, is calculated by dividing net profit for the period by total equity amounts as of the end of such period. Our return on equity for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 was 4.2%, 49.9%, 35.5% and 8.7%, respectively. ROE significantly increased from 2010 to 2011 primarily due to our bargain purchase gain of RMB164.4 million and significantly increased sales resulting from our acquisition and organic growth; ROE decreased from 2011 to 2012 mainly because no bargain purchase gain was recognized although our net profit significantly increased in 2012. The significant decrease in our ROE in the first half of 2013 was mainly because we had interests on other financial liabilities arising from our Pre-IPO Investments, losses arising from changes in fair value less costs to sell of dairy cows and increased equity during this period.

Capital expenditures

Our principal capital expenditures are related to the expansion of our new dairy farms, major maintenance and addition of equipment at our existing dairy farms. Our capital expenditures with respect to purchases of property, plant and equipment were RMB316.9 million, RMB198.4 million, RMB175.3 million and RMB23.9 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

As part of our future growth strategy, we estimate that our capital expenditures will be approximately RMB150 million for the year ending 31 December 2013. Our planned capital expenditures for our business operations will primarily be in relation to the construction and commencement of operations at our new dairy farms. We anticipate that our capital expenditures will be financed by cash generated from our operations, debt financing or bank loans, the proceeds from the

Pre-IPO Investments and the net proceeds from the Global Offering. The estimated amount of expenditures may vary from the actual amount for a variety of reasons, including changes in market conditions, competition and other factors.

Our current plan with respect to future capital expenditures is subject to change and based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, prevailing market conditions and our future outlook. There is no guarantee that our planned capital expenditures will proceed as planned. As we continue to expand, we may incur additional capital expenditures.

Related party transactions

We received loans from our related company, HLJ Beian NKTH, of RMB15.9 million, RMB147.7 million and RMB132.8 million for the years ended 31 December 2010, 2011 and 2012, respectively. The loans from the related company were non-interest bearing. We did not receive any loan from our related companies for the six months ended 30 June 2013. We also sold raw milk to and received rental income from YST Heping in 2010 and 2011 before we acquired Kedong Oumei Farm in September 2011. In addition, we purchased feed from three related companies controlled by Mr. HL Zhao, our Controlling Shareholder, in 2011 and 2012. These transactions were conducted in accordance with the terms and conditions mutually agreed by both parties. We fully repaid these loans in cash in the first half of 2013.

As disclosed in Note 28 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus, Heilongjiang Beian Reclamation Area Sanhe Construction Co., Ltd. Zhaoguang Branch, or Sanhe, was considered as a related party because Mr. HL Zhao was named as the responsible person of Sanhe. We are of the view that Sanhe is not a connected person to the Company within the meaning of Chapter 14A of the Listing Rules because: (i) the Company was informed by Sanhe that Mr. HL Zhao was named as Sanhe's responsible person to facilitate the undertaking of the construction projects locally through leveraging Mr. HL Zhao's local reputation; (ii) Mr. HL Zhao was legally independent from Sanhe and was not involved in its operations or decision-making process; and (iii) Mr. HL Zhao ceased to be named as the responsible person of Sanhe from May 2013. The Directors confirm that the related party transactions with Sanhe were conducted on normal commercial terms. Based on their due diligence, the Joint Sponsors concur with the above confirmation.

The table below sets forth the compensation of our key management personnel for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	214	564	1,391	299
Post-employment benefits	—	9	—	—
Total compensation paid to key management personnel	214	573	1,391	299

The related party transactions during the Track Record Period are also set out in Note 28 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus.

Transactions with Feihe Dairy Group

During the Track Record Period, we had sales of raw milk to Feihe Dairy Group and acquired the entire equity interests of Kedong Oumei Farm and Gannan Oumei Farm from Feihe Dairy HLJ and Mr. Ma Jinyan with the relevant transaction amounts stated below:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of raw milk	337	52,820	91,673	57,989	94,806
Acquisition of farms	—	845,226	—	—	—

In addition, in 2011, Feihe Dairy HLJ paid RMB68.6 million on our behalf to a local heifer importer as a portion of the total purchase price for the procurement of 8,300 Holstein heifers from Uruguay and we fully settled such amount with Feihe Dairy HLJ in June 2013.

Furthermore, as of 31 December 2010, 2011 and 2012 and 30 June 2013, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million, RMB365.0 million and RMB349.0 million, respectively.

Indebtedness

Borrowings

We have financed our operations primarily through cash flows from operations, bank loans and cash contributions from shareholders. The table below sets forth the details of our bank borrowings as of the dates indicated:

	As of 31 December									As of 30 June			As of 30 September
	2010			2011			2012			2013			2013
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	RMB'000 (Unaudited)
Current													
Secured bank loans	—	—	—	5.8–6.6	2012	60,000	6.3–6.6	2013	100,000	6.0–7.21	2013	100,000	65,000
Current portion of long term secured bank loans	5.3–5.8	2011	31,980	5.8–6.6	2012	66,497	6.3–6.6	2013	66,497	6.0–7.21	2013	86,755	99,517
			31,980			126,497			166,497			186,755	164,517
Non-current													
Secured bank loans	5.9–6.4	2015	127,920	6.4–7.8	2013–2019	364,973	6.8–7.8	2013–2019	298,477	6.0–7.21	2015–2019	262,228	17,258
			159,900			491,470			464,974			448,983	181,775

Our total bank borrowings increased from RMB159.9 million as of 31 December 2010 to RMB491.5 million as of 31 December 2011. The increase in short-term borrowings was primarily due to increased feed purchases to supply our new farms. The increase in long-term borrowings was related to the construction of our own farms. Our total bank borrowings decreased to RMB465.0 million as of 31

December 2012, primarily due to our repayments of loans by YST Heping and YST Heilongjiang. Our total bank borrowings further decreased to RMB449.0 million as of 30 June 2013 because we repaid a long-term bank loan in relation to Kedong Oumei Farm in the first half of 2013.

Certain of our bank borrowings were secured by: (i) property, plant and equipment situated in China, which had an aggregate carrying value of RMB16.6 million, RMB15.3 million, RMB14.0 million and RMB13.3 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively; and (ii) biological assets situated in China. Our bank borrowings were guaranteed by two of our Directors, Wang Shaogang and Fu Wenguo, and one of our customers, Feihe Dairy Group. We released such guarantees by our Directors in August 2013. As of 31 December 2010, 2011 and 2012 and 30 June 2013, our borrowings that were guaranteed by Feihe Dairy Group amounted to RMB159.9 million, RMB402.5 million, RMB365.0 million and RMB349.0 million, respectively. All guarantees by Feihe Dairy Group had been released as of the Latest Practicable Date.

The other financial liabilities arising from the Pre-IPO Investments as of 30 June 2013 were RMB616.7 million. For further details on the Pre-IPO Investments, please refer to "History, Development and Reorganization — Pre-IPO Investments."

The amounts due to Feihe Dairy Group as of 31 December 2011 and 2012 and 30 June 2013 were RMB678.5 million, RMB598.3 million and RMB445.3 million. The amounts due to one of our Shareholders, Meng Fanqing, as of 30 June 2013 were RMB53.2 million.

As of 30 September 2013, being the latest practicable date for indebtedness purposes, we had total bank borrowings of RMB181.8 million, all of which were secured. The other financial liabilities arising from the Pre-IPO Investments were RMB650.0 million as of 30 September 2013. The amounts due to Feihe Dairy Group were RMB403.6 million and the amounts due to one of our Shareholders, Meng Fanqing, were RMB54.1 million as of 30 September 2013. Our Directors confirm that we did not have material defaults in payment of bank borrowings as of the Latest Practicable Date. As of the Latest Practicable Date, except as otherwise disclosed, we did not have any material change in our indebtedness.

Contingent liabilities

During the Track Record Period and as of the Latest Practicable Date, except as otherwise disclosed in this Prospectus, we did not maintain any outstanding loan capital or bank overdraft, or carry any liabilities under acceptance or other similar indebtedness, debenture, mortgages, charges or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities.

Capital commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
— construction in progress	129,438	122,067	73,392	59,205
— property and equipment	11,619	5,156	1,688	8,096
	141,057	127,223	75,080	67,301

Off-balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving a unconsolidated entity under which a company has: (i) made guarantees; or (ii) any obligation arising out of a material variable interest in a unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company, or that engages in leasing, hedging, or research and development arrangements with the Company.

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements with unconsolidated entities.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates and credit risk. We manage our exposure to these and other market risks through regular operating and financial activities.

Fair value changes of dairy cows

During the Track Record Period, our results were affected by fair value changes of our dairy cows less costs to sell. For further information about the methods used in valuing our dairy cows, see "— Description of Components of Results of Operations — Changes in fair value less costs to sell of biological assets."

Fair value change sensitivity analysis

The following table sets forth the sensitivity analysis of the estimated fair value of milkable cows that would arise if the key inputs had changed as of 30 June 2013, assuming all other variables remained constant:

Milk Price Sensitivity

Average selling price of raw milk as of 30 June 2013: RMB 4.30/kg

% Change in Milk Price	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding Valuation Result (RMB'000)	804,318	712,569	657,521	639,171	602,471	584,121	529,073	437,324
Change in Valuation Result (RMB'000)	183,496	91,747	36,699	18,349	–18,351	–36,701	–91,749	–183,498
% Change in Valuation Result	29.56%	14.78%	5.91%	2.96%	–2.96%	–5.91%	–14.78%	–29.56%

The estimated fair value of milkable cows increases when the milk price increases, and decreases when the milk price decreases.

Milk Yield Sensitivity

Average milk yield as of 30 June 2013: 9.6 tonnes per lactation cycle — 400 days

% Change in average Milk Yield	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding Valuation Result (RMB'000)	700,838	660,830	636,825	628,823	612,819	604,817	580,812	540,804
Change in Valuation Result (RMB'000)	80,016	40,008	16,003	8,001	–8,003	–16,005	–40,010	–80,018
% Change in Valuation Result	12.89%	6.44%	2.58%	1.29%	–1.29%	–2.58%	–6.44%	–12.89%

The estimated fair value of milkable cows increases when the milk yield increases, and decreases when the milk yield decreases.

Feed Cost Sensitivity

Average feed cost as of 30 June 2013: RMB2.17/kg of raw milk produced

% Change in Feed Cost	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding Valuation Result (RMB'000)	522,210	571,515	601,098	610,959	630,683	640,543	670,127	719,433
Change in Valuation Result (RMB'000)	–98,612	–49,307	–19,724	–9,863	9,861	19,721	49,305	98,611
% Change in Valuation Result	–15.88%	–7.94%	–3.18%	–1.59%	1.59%	3.18%	7.94%	15.88%

The estimated fair value of milkable cows increases when the feed cost decreases, and decreases when the feed cost increases.

Heifer Price Sensitivity

Price of heifer (at approximately 14 months of age) as of 30 June 2013: RMB21,000 per head

% Change in Price of Heifer (at about 14 months of age)	10%	5%	2%	1%	–1%	–2%	–5%	–10%
Corresponding Valuation Result (RMB'000)	653,257	637,040	627,308	624,065	617,578	614,334	604,603	588,385
Change in Valuation Result (RMB'000)	32,435	16,218	6,486	3,243	–3,244	–6,488	–16,219	–32,437
% Change in Valuation Result	5.22%	2.61%	1.04%	0.52%	–0.52%	–1.05%	–2.61%	–5.22%

The estimated fair value of milkable cows increases when the price of heifers increases, and decreases when the price of heifers decreases.

Discount Rate Sensitivity

Discount rate as of 30 June 2013: 13.82%

% Change in Discount Rate	1.50%	1.00%	0.50%	–0.50%	–1.00%	–1.50%
Corresponding Valuation Result (RMB'000)	605,280	610,373	615,553	626,179	631,630	637,174
Change in Valuation Result (RMB'000)	–15,542	–10,449	–5,269	5,357	10,808	16,352
% Change in Valuation Result	–2.50%	–1.68%	–0.85%	0.86%	1.74%	2.63%

The estimated fair value of milkable cows increases when the discount rate decreases, and decreases when the discount rate increases.

Credit risk

The credit risk of our other financial assets, which comprise cash and bank balances, other receivables and amounts due from related companies, arise from default of counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral.

At the end of the Track Record Period, we had certain concentration of credit risk of 34%, 57% and 33% for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, and 100%, 100% and 100% for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 of the trade receivables due from our largest customer and four largest customers, respectively. Concentration of credit risk is managed by establishing credit verification procedures. Our management determines there is minimal concentration of credit risk within our Group as such trade receivables are recognized and credit worthy.

Further quantitative data in respect of our exposure to credit risk arising from trade receivables are disclosed in Note 17 of Section II of the Accountants' Report attached as Appendix IA to this Prospectus.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our cash and bank balances and bank loans with floating interest rates. We have not used any interest rate swaps to hedge our interest rate risk, and will consider hedging significant interest rate risks should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax (through the impact on floating rate borrowings):

	Increase/(Decrease) in basis points	Increase/(Decrease) in profit before tax
		RMB'000
31 December 2010		
RMB	100	(860)
RMB	(100)	860
31 December 2011		
RMB	100	(4,741)
RMB	(100)	4,741
31 December 2012		
RMB	100	(4,572)
RMB	(100)	4,572
30 June 2013		
RMB	100	(585)
US$	100	175
RMB	(100)	585
US$	(100)	(175)

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of long-term bank loans and projected cash flows from operations.

The maturity profile of our financial liabilities as of the end of each reporting period during the Track Record Period, based on the contractual undiscounted payments, is as follows:

	On demand or less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2013				
Other financial liabilities	720,000	—	—	720,000
Interest-bearing bank borrowings	180,759	324,343	20,071	525,173
Trade payables	176,830	—	—	176,830
Other payables and accruals	339,194	290,320	—	629,514
Amount due to shareholders	—	60,000	—	60,000
Amount due to related companies	19,811	—	—	19,811
	1,436,594	674,663	20,071	2,131,328
31 December 2012				
Interest-bearing bank borrowings	198,784	326,803	20,071	545,658
Trade payables	207,655	—	—	207,655
Other payables and accruals	939,525	—	—	939,525
Amount due to shareholders	134,521	—	—	134,521
Amount due to related companies	311,940	—	—	311,940
	1,792,425	326,803	20,071	2,139,299
31 December 2011				
Interest-bearing bank borrowings	160,991	400,330	42,294	603,615
Trade payables	142,586	—	—	142,586
Other payables and accruals	1,128,107	122,418	—	1,250,525
Amount due to shareholders	103,900	—	—	103,900
Amount due to related companies	165,620	—	—	165,620
	1,701,204	522,748	42,294	2,266,246
31 December 2010				
Interest-bearing bank borrowings	41,983	148,399	—	190,382
Trade payables	26,320	—	—	26,320
Other payables and accruals	433,082	—	—	433,082
Amount due to shareholders	300	—	—	300
Amount due to related companies	15,900	—	—	15,900
	517,585	148,399	—	665,984

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value.

We manage our capital structure and make adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the Track Record Period.

We monitor capital using gearing ratio.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

PROPERTY VALUE RECONCILIATION

We are involved in non-property activities and we do not have a carrying amount of a property interest that equals or more than 15% of our total assets. As a result, we are not required to conduct a property valuation.

LISTING EXPENSES

The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering amount to RMB41.5 million. We did not incur any listing expenses for the year ended 31 December 2012. For the six months ended 30 June 2013, we incurred listing expenses amounting to RMB18.8 million, among which RMB14.4 million has been charged to the profit and loss and RMB4.4 million was capitalized as deferred expenses, which is expected to be charged against equity upon successful listing under the relevant accounting standards. We estimate that the listing expenses to be incurred and charged to the profit and loss in the financial period after 30 June 2013 will be RMB17.0 million.

INFORMATION ABOUT THE INDEPENDENT VALUER OF OUR DAIRY COWS

We have engaged JLL, an independent valuer, to determine the fair value of our dairy cows less estimated point-of-sale costs as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. For the purposes of valuing our biological assets as of each valuation date, the key valuers of the JLL team comprised Mr. Simon M.K. Chan, Prof. T.Y. Gao, Mr. Jack Li, Ms. Ada Shao, Mr. Tim Chi and Mr. Ken Yang.

Mr. Simon M.K. Chan, a regional director at JLL, is the fellow member of Hong Kong Institute of Certified Public Accountants, fellow member of CPA Australia, Certified Valuation Analyst and a member of the International Association of Consultants, Valuers, and Analysts. Over the past 15 years, Mr. Chan has built up extensive experience in the valuation and corporate advisory business, having overseen valuations of equity, financial instruments, intangible assets, natural resources, and biological assets, including livestock, orchards and other plantations. As a regional director, Mr. Chan is in charge of JLL's valuation services in the Asia-Pacific region and has led different types of valuation projects, related to initial public offerings, merger and acquisitions for both private and state-owned companies in China, Hong Kong, Singapore, and the United States.

Prof. T.Y. Gao, a professor of Henan Agricultural University (Animal Science), and an independent biological asset valuation expert, is a council member of the China Animal Husbandry and Veterinary Association Cattle Branch, an executive director of the China Animal Husbandry and Veterinary Association Animal Ecology Branch, an executive director of the Animal Husbandry Engineering Branch of the Agricultural Engineering Society, an executive director of the China Scalper Breeding Committee, a deputy secretary of the Straw Utilization Branch of China Agricultural Society and an executive director of the Grass Fodder Branch of the Animal Husbandry and Veterinary Institute. He has extensive experience in the area of cow breeding and is mainly engaged in the study of the utilization of local feed resources for feeding cattle, environment management of dairy cows and livestock ecology. Professor Gao has published 23 books, has won 15 prizes for scientific achievements and has published more than 200 academic papers in different journals, most of which are on topics directly relevant to the research and study of dairy cows and dairy production.

Mr. Jack Li, a Local Director at JLL, is responsible for developing and overseeing valuation and other corporate advisory services. Mr. Li also has extensive experience in valuing various classes of assets, such as biological assets, equity, natural resources, intangible assets and financial derivatives, of a wide variety of private and state-owned companies in the Asia-Pacific region.

Ms. Ada Shao, a Senior Analyst at JLL, has worked on a number of valuation and consulting projects for both private and state-owned companies seeking to list on the Hong Kong Stock Exchange. Her experience covers valuation of equity, intangible assets, natural resources, biological assets, and a wide range of financial instruments and derivatives.

Mr. Tim Chi, an Analyst at JLL, has worked on a wide range of valuation projects in relation to public offerings on the Hong Kong Stock Exchange. Such experience includes valuation and inspection of other dairy farms, as well as other natural resource assets and intangible assets.

Mr. Ken Yang, an Assistant Analyst at JLL, in the course of his position has worked on various valuation projects, including intangible assets, financial derivatives, and biological valuations of dendrobium-/tea-plantations and dairy farms.

JLL has provided cattle valuation services for China Modern Dairy Holdings Limited (1117.HK), a company listed on the Hong Kong Stock Exchange. JLL has also provided other biological asset valuation services for assets such as trees, rabbits and chickens to Hong Kong listed companies including Lee&Man Paper (2314.HK), Chenming Paper (1812.HK) and Kandda Food (0834.HK).

Having considered the qualifications and experience of the JLL team and after discussions with the JLL team and our management, our Directors and the Joint Sponsors are satisfied that JLL is independent and competent to determine the fair value of biological assets.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2013. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of our Group.

	Audited consolidated net tangible assets attributable to the owners of the Company as of 30 June 2013[(1)]	Estimated net proceeds from the Listing[(2)]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[(3)]	Unaudited pro forma adjusted net tangible assets per Share[(4)]
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$2.49 per Share	1,143,130	1,844,491	2,987,621	0.76	0.96
Based on an Offer Price of HK$3.18 per Share	1,143,130	2,362,731	3,505,861	0.90	1.13

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as of 30 June 2013 are based on audited consolidated net assets of our Group attributable to the owners of the Company as of 30 June 2013 of approximately RMB1,143 million as set forth in Appendix IA to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$2.49 and HK$3.18, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the options granted pursuant to the Share Option Scheme. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the PBOC rate of HK$1.00 to RMB0.7966 prevailing on 28 June 2013.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 3,908,747,000 shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Share Option Scheme.

(4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of HK$1.00 to RMB0.7966 prevailing on 28 June 2013.

DIVIDEND POLICY

Our Group did not declare any dividends during the Track Record Period. After completion of the Global Offering, our Shareholders will be entitled to receive any dividends that we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Bermuda Companies Act, including the approval of Shareholders.

DISTRIBUTABLE RESERVES

The Company was only incorporated on 1 May 2012. The Company did not have any distributable reserves as of 30 September 2013 and as of the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 30 June 2013 and up to the date of this Prospectus, there had been no material adverse change in our financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the Accountants' Report included as Appendix IA to this Prospectus.

FUTURE PLANS AND PROSPECTS

See "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,622 million from the New Issue after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the Offer Price of HK$2.84 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. We intend to use the proceeds from the New Issue for the purposes and in the amounts set forth below:

- approximately 75%, or approximately HK$1,967 million, will be used to finance the construction of our five new farms, namely Tiefeng Farm, Baiquan Farm, Kedong Yongjin Farm, Honghai Farm and Sifang Farm, expected to be completed by the fourth quarter of 2015 and the details of which are summarized in "Business — Our Dairy Farms — Expansion Plan of Our New Dairy Farms" in this Prospectus;

- approximately 15%, or approximately HK$393 million, will be used to develop upstream operations; and

- approximately 10%, or approximately HK$262 million, for our working capital and general corporate purpose.

For more information on our expansion plan after the Global Offering, see "Business — Our Business Strategies."

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares will be approximately HK$669 million. Proceeds from the sale of the Sale Shares by the Selling Shareholders will not belong to the Company.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to be received by the Selling Shareholders from the sale of the Sale Shares will be approximately HK$502 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$2.84 per Share, being the mid-point of indicative offer price. We will not receive any of the proceeds from the sale of Sale Shares pursuant to the Over-allotment Option.

If the Offer Price is fixed at HK$3.18 per Offer Share, being the high end of the Offer Price range stated in this Prospectus, we will receive additional net proceeds of approximately HK$321 million. If the Offer Price is fixed at HK$2.49 per Offer Share, being the low end of the Offer Price range stated in this Prospectus, the net proceeds we receive will be reduced by approximately HK$330 million. If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to apply the additional amounts towards the construction of our new farms. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to reduce the amounts allocated to developing upstream operations.

To the extent that the net proceeds from the New Issue are not immediately applied to the above purposes, we intend to deposit the proceeds into our accounts with licensed financial institutions.

HONG KONG UNDERWRITERS

Joint Lead Managers (in alphabetical order)

China Securities (International) Brokerage Company Limited
Credit Suisse (Hong Kong) Limited
Macquarie Capital Securities Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 122,150,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any new law or any change or development involving a prospective change in any existing law or any change in the interpretation or application thereof by any court or other competent authority of Bermuda, BVI, Hong Kong or the PRC, the United States, the United Kingdom, Japan, Singapore, the EU (or any member thereof) or any other relevant jurisdiction (collectively, the ***Relevant Jurisdictions***); or

(ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development in local, national or international financial, political, military, industrial, legal, fiscal, economic, regulatory, market or currency matters or conditions (including but not limited to a change in the

system under which the value of the HK$ is linked to the US$ or revaluation of Renminbi against any foreign currencies or a change in any other currency exchange rates) in any of the Relevant Jurisdictions; or

(iii) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Hong Kong Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange or in the NASDAQ System or any disruption in commercial banking activities or securities settlement, payment or clearance services or procedures in any of the Relevant Jurisdictions; or

(iv) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any of the Relevant Jurisdictions; or

(v) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or

(vi) the outbreak or escalation of hostilities involving any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(vii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, H5N1, H1N1 or such related/mutated forms), terrorism, strike or lock-out; or

(viii) any change or development or event involving a prospective change in the Company's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects including any litigation or claim of material importance of any third party being threatened or instigated against the Company or any of its subsidiaries; or

(ix) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Global Offering; or

(x) an order is made for the winding up or liquidation or provisional winding up of the Company or any of its subsidiaries or the Company or any of its subsidiaries make any composition or arrangement with our or its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or of any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries; or

(xi) a valid demand by any creditor for repayment or payment of any of the Company's indebtednesses or those of any of its subsidiaries or in respect of which the Company or any of its subsidiaries is liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xii) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or

(xiii) any litigation or claim being threatened or instigated against the Company or any of its subsidiaries or the Controlling Shareholders,

and which, in any such case and in the sole opinion of the Joint Bookrunners (for each of itself and on behalf of the other Hong Kong Underwriters),

(A) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial position or prospects of the Company and its subsidiaries as a whole; or

(B) has or will have or is likely to have a material adverse change or otherwise have an adverse effect on the success or marketability of the Hong Kong Public Offering or the International Offering; or

(C) makes or may make or will or is likely to make it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus; or

(D) would have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with the terms herein or which prevents the processing of applications and/or payments pursuant to the terms contained in the Hong Kong Underwriting Agreement, the receiving bank agreement and/or the Hong Kong share registrar agreement; or

(b) there has come to the notice of the Joint Bookrunners or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement including but not limited to any forecasts, expressions of opinion, intention or expectation contained in this Prospectus or the Application Forms becomes or is discovered to be untrue, inaccurate, incomplete or misleading or in the case of forecasts, expressions of opinion, intention or expectation, are not fair and honest based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) any matter or event arising or has been discovered rendering or there coming to the notice of any of the Joint Bookrunners or the Underwriters any matter or event showing any of the representation and warranties given by the Company or the Controlling

Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement to be untrue, inaccurate or misleading or having been breached; or

(iii) there shall have occurred any matter or event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities given by the Company, the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or

(iv) any breach on the part of the Company and/or the Controlling Shareholders of any provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement in any material respect; or

(v) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitute an omission therefrom; or

(vi) the Company withdraws this Prospectus and the Application Forms on the Global Offering; or

(vii) any member of our Group has contravened the Companies Ordinance or the Listing Rules or any applicable laws; or

(viii) there is or shall be any change or prospective change in any material respect in, or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(ix) a prohibition is imposed or will likely be imposed on the Company for whatever reason from allotting or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(x) there is or shall be an issue or a requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xi) any of the experts withdraws its consent to the issue of this Prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears,

then the Joint Bookrunners may, in their sole discretion, after consultation with the Company, and upon giving notice in writing to the Company and the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERTAKINGS TO THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to the Company that, except pursuant to the Global Offering (including the Stock Borrowing Agreement), he will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(1) in the period commencing on the date by reference to which disclosure of his shareholdings in the Company is made in this Prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Hong Kong Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which he is shown by this Prospectus to be the beneficial owners; and

(2) in the period of six months commencing on the date on which the period referred to in paragraph (1) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would then cease to be a Controlling Shareholder of the Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of his shareholdings is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he will:

(1) when he pledges or charges any securities of the Company or interests therein beneficially owned by him in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(2) when he receives indications, either verbal or written, from the pledgee or chargee that any of the securities of the Company pledged or charged will be disposed of, immediately inform the Company of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by the Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date falling six months after the Listing Date (the "First Six-Month Period"), the Company will not without the Joint Bookrunners' prior written consent and unless in compliance with the Listing Rules:

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital, debt capital or any securities of the Company or any interest in any of the foregoing (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, any Shares or any other securities of the Company) (the "Held Interests"); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b), (c) and (d) above is to be settled by delivery of such Held Interests or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by the Company pursuant to the Global Offering or the Capitalization Issue or grant of options or issuance of the Shares upon exercise of such options pursuant to the Share Option Scheme, and the Company further agree that, in the event of an issue or disposal of any Shares or any interest therein during the six-month period immediately following the First Six-Month Period (the "Second Six-Month Period"), we shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of the Company.

Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that without the prior written consent of the Joint Bookrunners and unless in compliance with the Listing Rules:

(a) at any time during the First Six-Month Period, he will not:

(i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of its Held Interests held as of the Listing Date; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

(b) at any time during the Second Six-Month Period, he will not enter into any of the foregoing transactions in paragraphs (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules);

(c) until the expiry of the Second Six Month Period, in the event that he enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company; and

(d) nothing in the foregoing paragraph (a) or (b) shall prevent any of the Controlling Shareholders from pledging or charging any direct or indirect interest in the Shares or in any share in any company controlled by it which is the beneficial owner of the interest in the Shares in favour of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan during any time during the period of 12 months after the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, but in which event, (i) if he pledges or charges any Shares or other securities of the Company in respect of which he is the beneficial owner, he will immediately inform the Company, the Joint

Bookrunners, the Joint Sponsors and the Hong Kong Stock Exchange of any such pledges or charges and the number of Shares or other securities of the Company so pledged or charged, and (ii), if he receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of the Company that such Shares or other securities of the Company will be disposed of, he will immediately inform the Company, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Stock Exchange of any such indication.

Undertaking by the Minority Shareholders

Each of the direct or indirect shareholders of the Company set out in the following paragraph (the "Minority Shareholders") has agreed to undertake to each of us and the Joint Bookrunners for themselves and on behalf of each of the Underwriters) that, conditional upon listing of the Shares on the Hong Kong Stock Exchange on or prior to 31 December 2013, it will not, and will procure that none of its subsidiaries or companies controlled by it or any nominee or trustee holding in trust for it will, without prior written consent of the Joint Bookrunners at any time during the period commencing on the Listing Date, and ending on a date which is six months after the Listing Date (the "Lock-up Period"), sell, offer to sell, pledge, charge, dispose, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares which are to be held by it on the Listing Date (the "Investor Shares"), or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Investor Shares) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Investor Shares or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so, except that it may transfer any Investor Shares to any of its wholly-owned subsidiaries during the Lock-up Period provided that such wholly-owned subsidiary shall have executed and delivered to the Joint Bookrunners lock-up undertakings identical to the terms set out above.

The Minority Shareholders include: ZCH Asia Limited; Inno Technology (HK) Limited; Fine Time Holdings Limited; Guo Xin Investments Limited; ZDJ Asia Limited; SM Asia Limited; MLW Asia Limited; XH Asia Limited; HYY Asia Limited; XDH Asia Limited; SYL Asia Limited; Precious View Investments Limited; Zhongchi Management Consulting Limited; Maximum Shine Limited; HQ-China Fund L.P. and each of their respective owners as set out on page 135 and 139 of this Prospectus and CSCI Co. Ltd, being the sole general partner of HQ-China Fund, L.P..

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we and the Selling Shareholders will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We expect the Selling Shareholders to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Bookrunners on behalf of the International Underwriters, on or before 19 December 2013, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require the Selling Shareholders to sell up to an aggregate of 183,222,000 Shares, representing in aggregate approximately 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

The Selling Shareholders are expected to enter into the International Underwriting Agreement pursuant to which the Shares to be held by the Selling Shareholders on the Listing Date are expected to be subject to a lock-up undertaking for six months commencing from the Listing Date, except for the sale of Shares by the Selling Shareholders upon exercise of the Over-allotment Option by the Joint Bookrunners on behalf of the International Underwriters.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive a gross commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by the Company with respect to the New Shares to be issued by the Company. The Company may also in our sole discretion pay any or all of the Joint Bookrunners of Hong Kong Public Offering or International Offering an additional incentive fee in such aggregate amount of not more than 0.5% of the aggregate Offer Price payable for the Offer Shares initially offered under the Global Offering.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$153 million in total (based on the mid-point of our indicative price range of the Global Offering and assuming the Over-allotment Option is not exercised). They will be payable by us, provided that all the seller and purchaser stamp duties, if any, and the commissions and other brokerage, levies and fees in respect of the Sale Shares shall be borne by the Selling Shareholders. The Selling Shareholders will also pay for all expenses in connection with any exercise of the Over-allotment Option.

HONG KONG UNDERWRITERS' INTERESTS IN THE COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, except that an affiliate of China Securities (International) Brokerage Company Limited holds 1.64% of the equity interest in the Company as of the Latest Practicable Date. For further details of China Securities (International) Brokerage Company Limited's interest in the Company, please refer to page 135 of this Prospectus.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Statements in connection with the independence of the Joint Sponsors are set out in "Appendix IV — Statutory and General Information — F. Other Information — 1. Joint Sponsors" in this Prospectus.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited are the Joint Global Coordinators and China Securities (International) Brokerage Company Limited, Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited are the Joint Bookrunners.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 122,150,000 New Shares (subject to adjustment as mentioned below) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(ii) the International Offering of 855,037,000 New Shares and 244,297,000 Sale Shares (subject to adjustment as mentioned below) in the United States with QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S.

The Offer Shares will represent approximately 31.25% of the enlarged issued share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 35.9% of the Company's issued share capital immediately after completion of the Global Offering and the Capitalization Issue and the transfer of additional Sale Shares pursuant to the exercise of the Over-allotment Option as set forth in "— The International Offering — Over-allotment Option" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

The Company is initially offering 122,150,000 New Shares at the Offer Price under the Hong Kong Public Offering, representing approximately 10% of the 1,221,484,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 3.13% of our total issued share capital immediately after completion of the Global Offering and the Capitalization Issue, regardless of whether the Over-allotment Option is exercised or not.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the 122,150,000 New Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 61,075,000 Hong Kong Offer Shares and Pool B comprising 61,075,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 366,450,000, 488,600,000 and 610,750,000 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this Prospectus as "Mandatory Reallocation." In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Bookrunners may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 122,150,000 New Shares initially comprised in the Hong Kong Public Offering (that is 61,075,000 Hong Kong Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.18 per Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing of the Global Offering" below, is less than the maximum price of HK$3.18 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered for subscription and purchase under the International Offering will consist of an initial offering of 855,037,000 New Shares offered by the Company and 244,297,000 Sale Shares offered by the Selling Shareholders, representing in total approximately 90% of the Offer Shares under the Global Offering. The number of Sale Shares to be sold initially by each Selling Shareholder under the International Offering is set out below:

Name of Selling Shareholder	No. of Sale Shares to be initially sold by the relevant Selling Shareholder
YHW Asia Limited	35,301,087
ZSY Asia Limited	0
SB Asia Limited	33,536,032
SXY Asia Limited	0
MFQ Asia Limited	116,828,676
Ares YST Holdings, L.P.	19,543,735
Oversea-Chinese Banking Corporation Limited	19,543,735
Key Network Investments Limited	19,543,735

Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 28.12% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised at all.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and our Shareholders as a whole.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation and Clawback," exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, the Selling Shareholders are expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Joint Bookrunners at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Joint Bookrunners will have the right to require the Selling Shareholders to sell up to an aggregate of 183,222,000 Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to cover, over-allocations in the International Offering, if any. The maximum number of Sale Shares to be sold by each Selling Shareholder upon the exercise of the Over-allotment Option is set out below:

Name of Selling Shareholder	Maximum no. of Sale Shares to be sold by the relevant Selling Shareholder upon exercise of the Over-allotment Option
YHW Asia Limited	21,636,305
ZSY Asia Limited	53,200,000
SB Asia Limited	20,554,490
SXY Asia Limited	29,200,000
MFQ Asia Limited	0
Ares YST Holdings, L.P.	19,543,735
Oversea-Chinese Banking Corporation Limited	19,543,735
Key Network Investments Limited	19,543,735

The Joint Bookrunners may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

PRICING OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around 20 November 2013 and, in any event, not later than 25 November 2013. The Offer Price will be not more than HK$3.18 and is currently expected not to be less than HK$2.49, unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public

Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

If, for any reason, the Offer Price is not agreed by 25 November 2013 between the Joint Bookrunners (on behalf of the Underwriters) and us (for the Company and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this Prospectus, with the consent of the Company (for itself and on behalf of the Selling Shareholders) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of 19 November 2013, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on the Company's websites at **www.ystdfarm.com** and **www.ystdairyfarm.com** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in "Summary and Highlights" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering is so reduced. In the absence of any such announcement so published on or before the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares will not be reduced and/or the Offer Price, once agreed upon, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Bookrunners.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on 25 November 2013 through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results."

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 183,222,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;

(iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on 19 December 2013, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(vi) stabilizing bids may be made or transactions may be effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions may be effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 183,222,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 183,222,000 Shares from ZHL Asia Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rule 10.07(3).

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date.

We expect that the Company and the Selling Shareholders will, on or about 20 November 2013, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting."

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 26 November 2013, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence on Tuesday, 26 November 2013. Our Shares will be traded in board lots of 1,000 Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, *inter alia*:

- the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalization Issue (including any Shares which may be issued pursuant to the Share Option Scheme) (subject only to allotment and despatch of the share certificates in respect thereof and such other normal conditions acceptable to the Company and the Joint Bookrunners, on behalf of the Underwriters) not later than 25 November 2013 (or such later date as the Company and the Joint Bookrunners on behalf of the Hong Kong Underwriters may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Bookrunners, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in "How to Apply for Hong Kong Offer Shares." In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on 25 November 2013 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on 26 November 2013, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid do so entirely at their own risk.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **White Form eIPO** at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, Computershare Hong Kong Investor Services Limited being the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 14 November 2013 till 12:00 noon on Tuesday, 19 November 2013 from:

(i) any of the following offices of the Hong Kong Underwriters:

China Securities (International) Brokerage Company Limited	Suites 1301–1305 Two Exchange Square 8 Connaught Place Central, Hong Kong
Credit Suisse (Hong Kong) Limited	Level 88 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Macquarie Capital Securities Limited	Level 18 One International Finance Centre 1 Harbour View Street Central, Hong Kong

(ii) any of the branches of the following receiving bank:

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Connaught Road Central Branch	13–14 Connaught Road Central
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories	Fo Tan Branch	No2, 1/F Shatin Galleria, 18–24 Shan Mei Street, Fo Tan
	Yuen Long (Hang Fat Mansion) Branch	8–18 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 14 November 2013 till 12:00 noon on Tuesday, 19 November 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — YuanShengTai Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, 14 November 2013	—	9:00 a.m. to 5:00 p.m.
Friday, 15 November 2013	—	9:00 a.m. to 5:00 p.m.
Saturday, 16 November 2013	—	9:00 a.m. to 1:00 p.m.
Monday, 18 November 2013	—	9:00 a.m. to 5:00 p.m.
Tuesday, 19 November 2013	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 19 November 2013, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Bye-laws;

(ii) agree to comply with the Hong Kong Companies Ordinance and the Bye-laws;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of the Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the

Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the firstnamed applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM EIPO SERVICE

General

Individuals who meet the criteria in "— 2. Who Can Apply" may apply through **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize Computershare Hong Kong Investor Services Limited being the White Form eIPO Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** Service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on 14 November 2013 until 11:30 a.m. on 19 November 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 19 November 2013 or such later time in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the White Form eIPO Service Provider, will contribute HK$2 for each "YuanShengTai Dairy Farm Limited." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance and the Bye-laws; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 14 November 2013	—	9:00 a.m. to 8:30 p.m.(1)
Friday, 15 November 2013	—	8:00 a.m. to 8:30 p.m.(1)
Saturday, 16 November 2013	—	8:00 a.m. to 1:00 p.m.(1)
Monday, 18 November 2013	—	8:00 a.m. to 8:30 p.m.(1)
Tuesday, 19 November 2013	—	8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on 14 November 2013 until 12:00 noon on 19 November 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on 19 November 2013, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic**

application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** service is also only a facility provided by Computershare Hong Kong Investor Services Limited to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on 19 November 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

*"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.*

*"**Statutory control**" means you:*

- *control the composition of the board of directors of the company;*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing of the Global Offering."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 19 November 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on 19 November 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on 25 November 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the Company's websites at **www.ystdfarm.com** and **www.ystdairyfarm.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's websites at **www.ystdfarm.com** and **www.ystdairyfarm.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on 25 November 2013;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on 25 November 2013 to 12:00 midnight on 1 December 2013;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from 25 November 2013 to 28 November 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from 25 November 2013 to 27 November 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White From eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, Computershare Hong Kong Investor Services Limited and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.18 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on 25 November 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around 25 November 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on 26 November 2013 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on 25 November 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on 25 November 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on 25 November 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on 25 November 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offering shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 25 November 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 25 November 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on 25 November 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on 25 November 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on 25 November 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 25 November 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 25 November 2013. Immediately following the credit of the Hong Kong Offer

Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 25 November 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

14 November 2013

The Board of Directors
YuanShengTai Dairy Farm Limited
China Securities (International) Corporate Finance Company Limited
Credit Suisse (Hong Kong) Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the financial information of YuanShengTai Dairy Farm Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012, and the six-month period ended 30 June 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013, and the statements of financial position of the Company as at 31 December 2012 and 30 June 2013, together with the notes thereto (the "Financial Information"), and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six-month period ended 30 June 2012 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 14 November 2013 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Bermuda as a company with limited liability on 1 May 2012. Pursuant to a group reorganization (the "Reorganization") as set out in "Reorganization" in the Prospectus, which was completed on 26 October 2012, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company has not been involved in any significant business transaction other than the Reorganization described above as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting

principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012, and the six-month period ended 30 June 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, and the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope that an audit and therefore provides a lower level of assurance that an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013, and the state of affairs of the Company as at 31 December 2012 and 30 June 2013, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

1. Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	*4*	337	148,785	689,113	327,382	385,129
Cost of sales		(224)	(97,404)	(428,630)	(200,129)	(234,667)
Gross profit		113	51,381	260,483	127,253	150,462
Other income	*4*	6,461	2,585	17,513	1,505	10,018
Gain on bargain purchase	*29*	—	164,417	—	—	—
Gain from non-interest-bearing financial arrangement		—	—	—	—	49,195
Selling and distribution expenses		—	(3,294)	(17,383)	(8,052)	(9,248)
Administrative expenses		(3,548)	(10,969)	(22,843)	(10,363)	(26,191)
Finance costs	*5*	(525)	(24,170)	(45,742)	(19,635)	(58,180)
Changes in fair value less costs to sell of biological assets	*15*	5,608	9,903	17,713	15,400	(16,462)
PROFIT BEFORE TAX	*6*	8,109	189,853	209,741	106,108	99,594
Income tax expense	*7*	—	—	—	—	—
PROFIT FOR THE YEAR/PERIOD		8,109	189,853	209,741	106,108	99,594
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		—	—	—	—	(2,440)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		8,109	189,853	209,741	106,108	97,154

2. *Consolidated Statements of Financial Position*

	Notes	As at 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	As at 30 June 2013 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*12*	493,103	1,153,085	1,299,119	1,292,657
Prepaid land lease payments	*13*	28,432	119,110	117,747	115,173
Deposits for property, plant and equipment and biological assets	*14*	6,219	79,311	1,762	3,067
Biological assets	*15*	173,360	805,010	941,620	987,233
Amount due from a shareholder	*18*	—	—	—	55,121
Total non-current assets		701,114	2,156,516	2,360,248	2,453,251
CURRENT ASSETS					
Inventories	*16*	48,456	125,051	139,122	88,508
Trade receivables	*17*	—	46,343	70,886	70,444
Prepayments and other receivables	*14*	1,874	36,932	10,195	22,651
Prepaid land lease payments	*13*	1,052	3,165	4,546	4,546
Amounts due from related companies	*18*	—	1,000	510	—
Cash and cash equivalents	*19*	73,882	17,419	7,748	407,969
Total current assets		125,264	229,910	233,007	594,118
CURRENT LIABILITIES					
Trade payables	*20*	26,320	142,586	207,655	176,830
Other payables and accruals	*21*	354,610	796,140	829,529	290,220
Amounts due to shareholders	*18*	300	103,900	134,521	—
Amounts due to related companies	*18*	94,372	233,091	366,106	41,717
Other financial liability	*22*	—	—	—	616,726
Interest-bearing bank borrowings	*23*	31,980	126,497	166,497	186,755
Total current liabilities		507,582	1,402,214	1,704,308	1,312,248
NET CURRENT LIABILITIES		(382,318)	(1,172,304)	(1,471,301)	(718,130)
TOTAL ASSETS LESS CURRENT LIABILITIES		318,796	984,212	888,947	1,735,121
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*23*	127,920	364,973	298,477	262,228
Other payables	*21*	—	238,510	—	276,516
Amount due to a shareholder	*18*	—	—	—	53,247
Total non-current liabilities		127,920	603,483	298,477	591,991
Net assets		190,876	380,729	590,470	1,143,130
EQUITY					
Issued capital	*24*	—	—	—	1
Reserves	*25*	190,876	380,729	590,470	1,143,129
Total equity		190,876	380,729	590,470	1,143,130

3. Consolidated Statements of Changes in Equity

		Attributable to owners of the Company					
		Issued capital	Merger reserve	Capital reserve	Exchange fluctuation reserve	(Accumulated loss)/retained profits	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010		—	85,000	—	—	(3,233)	81,767
Profit for the year and total comprehensive income for the year		—	—	—	—	8,109	8,109
Capital contribution from the Controlling Shareholder		—	101,000	—	—	—	101,000
At 31 December 2010 and 1 January 2011		—	186,000	—	—	4,876	190,876
Profit for the year and total comprehensive income for the year		—	—	—	—	189,853	189,853
At 31 December 2011 and 1 January 2012		—	186,000	—	—	194,729	380,729
Profit for the year and total comprehensive income for the year		—	—	—	—	209,741	209,741
At 31 December 2012 and 1 January 2013		—	186,000	—	—	404,470	590,470
Profit for the period		—	—	—	—	99,594	99,594
Other comprehensive loss for the period		—	—	—	(2,440)	—	(2,440)
Total comprehensive income for the period		—	186,000	—	(2,440)	504,064	687,624
Contribution from a shareholder	*25(b)*	—	—	455,505	—	—	455,505
Issuance of new shares	*24*	1	—	—	—	—	1
At 30 June 2013		1	186,000	455,505	(2,440)	504,064	1,143,130
(Unaudited)							
At 1 January 2012		—	186,000	—	—	194,729	380,729
Profit for the period and total comprehensive income for the period		—	—	—	—	106,108	106,108
At 30 June 2012		—	186,000	—	—	300,837	486,837

4. Consolidated Statements of Cash Flows

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		8,109	189,853	209,741	106,108	99,594
Adjustments for:						
Finance costs	*5*	525	24,170	45,742	19,635	58,180
Interest income	*4*	(117)	(129)	(116)	(59)	(64)
Depreciation	*6*	1,022	14,374	36,138	15,892	24,877
Recognition of prepaid land lease payments	*6*	1,052	1,567	4,049	2,038	2,574
Gain on bargain purchase	*4*	—	(164,417)	—	—	—
Changes in fair value less costs to sell of biological assets	*15*	(5,608)	(9,903)	(17,713)	(15,400)	16,462
		4,983	55,515	277,841	128,214	201,623
Decrease/(increase) in inventories		(47,985)	(48,614)	(14,071)	63,257	50,614
Decrease/(increase) in trade receivables		—	(5,035)	(24,543)	(4,923)	442
Decrease/(increase) in prepayments and other receivables		64,335	97,249	26,737	2,273	(12,497)
Decrease/(increase) in amounts due from related companies		—	(1,000)	490	1,000	243
Increase/(decrease) in trade payables		26,320	68,031	65,069	(2,548)	(30,825)
Increase/(decrease) in amounts due to related companies		16,733	(8,944)	14,969	9,874	(42,513)
Increase/(decrease) in other payables and accruals		148,643	(82,625)	(217,771)	(175,939)	(141,417)
Exchange realignment		—	—	—	—	(2,690)
Cash generated from operations		213,029	74,577	128,721	21,208	22,980
Interest received		117	129	116	59	64
Net cash flows from operating activities		213,146	74,706	128,837	21,267	23,044

	Notes	Year ended 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	Six-month period ended 30 June 2012 RMB'000 (Unaudited)	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(160,196)	(270,053)	(175,657)	(48,253)	(106,798)
Prepayment of land lease payments		—	(1,500)	(4,067)	(3,982)	—
Acquisition of subsidiaries	*29*	—	(110,180)	—	—	—
Additions to biological assets		(166,579)	(129,489)	(142,659)	(71,489)	(90,084)
Decrease/(increase) in deposits for property, plant and equipment and biological assets		14,503	(73,092)	77,549	51,055	(1,305)
Proceeds from disposal of biological assets		288	11,488	23,762	17,919	28,009
Proceeds from disposal of items of property, plant and equipment		617	1,316	267	3,713	452
Receipt of government grants		12,179	7,775	1,485	7,184	7,565
Net cash flows used in investing activities		(299,188)	(563,735)	(219,320)	(43,853)	(162,161)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment to shareholders		—	—	(44,540)	—	(136,395)
Advance from shareholders		—	103,600	75,161	36,915	—
Increase/(decrease) in amounts due to related companies		15,900	147,663	118,046	60,486	(281,609)
Decrease in other payables		—	(6,978)	(17,463)	(17,463)	(51,384)
Increase in other financial liability	*22*	—	—	—	—	585,180
New bank borrowings raised		40,000	260,000	100,000	—	—
Repayments of interest-bearing bank borrowings		(30,100)	(49,238)	(126,496)	(33,248)	(15,991)
Interest paid		(5,480)	(22,481)	(23,896)	(18,485)	(16,201)
Capital injection		101,000	—	—	—	—
Capital contributions from shareholders		—	—	—	—	455,488
Net cash flows from financing activities		121,320	432,566	80,812	28,205	539,088
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		35,278	(56,463)	(9,671)	5,619	399,971
Cash and cash equivalents at beginning of year/period		38,604	73,882	17,419	17,419	7,748
Effect of foreign exchange rate changes, net		—	—	—	—	250
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		73,882	17,419	7,748	23,038	407,969

5. Statements of Financial Position

Company

	Notes	31 December 2012	30 June 2013
		RMB	RMB
NON-CURRENT ASSETS			
Investments in subsidiaries	*(i)*	631	631
CURRENT ASSETS			
Amount due from a subsidiary		—	579,211,732
Prepayments		—	4,436,910
Bank balances		—	1,576
Total current assets		—	583,650,218
CURRENT LIABILITIES			
Amounts due to subsidiaries		159	8,917,445
Other financial liability		—	616,726,895
Other payables and accruals		—	5,945,138
Total current liabilities		159	631,589,478
NET CURRENT LIABILITIES		(159)	(47,939,260)
Net assets/(liabilities)		472	(47,938,629)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	*24*	472	595
Reserves	*25*	—	(47,939,224)
Total equity/(net deficiency in assets)		472	(47,938,629)

(i) The investments in subsidiaries are unlisted equity at cost. Details of the subsidiaries are disclosed in note 1 to the Financial Information.

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANIZATION

The Company is a limited liability company incorporated in Bermuda and its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries are principally engaged in the production and sale of milk in the PRC.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in "History, Development and Reorganization — Reorganization" in this Prospectus. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the Reorganization.

As at the end of the Relevant Periods, the Company had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies in Hong Kong (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Natural Dairy Farm Limited[1]	BVI 3 May 2012	US$100	100	—	Investment holding
Royal Dairy Farm Limited[2]	Hong Kong 17 May 2012	HK$10,000	—	100	Investment holding
黑龍江甘南瑞信達原生態牧業有限公司[3] Heilongjiang Gannan Ruixinda Dairy Farming Co., Ltd. ("Ruixinda Gannan")[#]	PRC 9 July 2007	RMB38,000,000	—	100	Production and sale of milk
黑龍江克東和平原生態牧業有限公司[3] Heilongjiang Kedong Heping YuanShengTai Dairy Farming Co., Ltd. ("YST Heping")[#]	PRC 3 July 2007	RMB76,520,000	—	100	Production and sale of milk
黑龍江克東瑞信達原生態牧業股份有限公司[4] Heilongjiang Kedong Ruixinda YuanShengTai Dairy Farming Joint Stock Co., Ltd.[#]	PRC 5 September 2008	RMB186,850,000	—	100	Production and sale of milk
鎮賚瑞信達原生態牧業有限公司[5] Zhenlai Ruixinda YuanShengTai Dairy Farming Co., Ltd.[#]	PRC 9 July 2009	RMB60,000,000	—	100	Production and sale of milk

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
齊齊哈爾紅海原生態牧業股份有限公司[3] Qiqihar Honghai YuanShengTai Dairy Farming Joint Stock Husbandry Co., Ltd.[#]	PRC 5 September 2008	RMB5,000,000	—	100	Inactive
齊齊哈爾四方原生態牧業股份有限公司[3] Qiqihar Sifang YuanShengTai Dairy Farming Joint Stock Co., Ltd.[#]	PRC 5 September 2008	RMB5,000,000	—	100	Inactive
哈爾濱市瑞信達牧業有限公司[6] Harbin Ruixinda Dairy Farming Co., Ltd. ("Ruixinda")[#]	PRC 9 December 2010	RMB18,000,000	—	100	Investment holding
齊齊哈爾瑞信達生態養殖有限公司[2] Qiqihar Ruixinda ShengTai Dairy Farming Co., Ltd.[#]	PRC 10 September 2012	RMB3,000,000	—	100	Inactive
哈爾濱市瑞信誠商貿有限公司[2] Harbin Ruixincheng Trading Co., Ltd. ("Ruixincheng")[#]	PRC 3 May 2013	RMB550,000,000	—	100	Inactive
拜泉瑞信達原生態牧業有限公司[2] Baiquan Ruixinda YuanShengTai Dairy Farming Co., Ltd.[#]	PRC 25 June 2013	RMB50,000,000	—	100	Inactive

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they do not register any official English names.

1 No audited financial statements have been prepared for this company as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2 No audited financial statements have been prepared for these entities.

3 The statutory financial statements of these entities for the years ended 31 December 2010, 2011 and 2012 prepared under PRC generally accepted accounting principles were audited by 黑龍江安聯會計師事務所有限公司北安分所, certified public accountants registered in the PRC.

4 The statutory financial statements of this entity for the years ended 31 December 2010, 2011 and 2012 prepared under PRC generally accepted accounting principles were audited by 黑龍江中齊會計師事務所有限公司, certified public accountants registered in the PRC.

5 The statutory financial statements of this entity for the years ended 31 December 2010, 2011 and 2012 prepared under PRC generally accepted accounting principles were audited by 吉林金興會計師事務所有限公司, certified public accountants registered in the PRC.

6 The statutory financial statements of this entity for the period from 9 December 2010 to 31 December 2010, and the years ended 31 December 2011 and 2012 prepared under PRC generally accepted accounting principles were audited by 黑龍江立信會計師事務所有限責任公司, certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in "History, Development and Reorganization — Reorganization" in this Prospectus, the Company became the holding company of the companies now comprising the Group on 26 October 2012. The companies now comprising the Group were under the common control of the Controlling Shareholders (as defined in the Prospectus) before the Reorganization. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting, as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

Going concern

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the reporting entity in the preparation of the Financial Information throughout the Relevant Periods and the Interim Comparative Information. They have been prepared under the historical cost convention, except for biological assets and agricultural product, which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB382,318,000, RMB1,172,304,000, RMB1,471,301,000 and RMB718,130,000 at of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operation, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds. Accordingly, the Financial Information has been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The Financial Information does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	Financial Instruments[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — Investment Entities[1]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-financial Assets[1]
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on the Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combination

Merger method

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policy. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book value. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

Acquisition method

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

All intra-group balances, transactions, unrealized gains and losses resulting from intragroup transactions and dividends are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for an equity transaction.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Subsidiaries

A subsidiary is an entity over which the Group has power to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of the returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the four elements of control listed above.

The results of subsidiaries are included in profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, biological assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group 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); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%
Leasehold improvements	Over the shorter of the lease terms and 18%
Furniture and fixtures	18%
Plant and machinery	6–7%
Motor vehicles	11–12%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Biological assets

Dairy cows

Dairy cows, including milkable cows, heifers and calves are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with any gain or loss recognized in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes. The fair value of dairy cows is determined based on their present location and condition and is determined independently by professional valuers.

The feeding costs and other related costs including the depreciation charge, utility costs and consumables incurred for the raising of heifers and calves are capitalised, until such time as the heifers and calves begin to produce milk.

Agricultural produce

Milk

Agricultural produce represents raw milk harvested from the Group's biological assets. Milk is recognized at the point of harvest at its fair value less costs to sell. The fair value of milk is determined based on market prices quoted in the local area. The costs to sell are the incremental costs directly attributable to the sales of milk, mainly transportation costs, excluding finance costs and income tax.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognized in profit or loss and in administrative expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is

recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to shareholders, amounts due to related companies, other financial liability and interest-bearing bank borrowings.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses, Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 10% to 20% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than the PRC are charged as expenses when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Fair value measurement

Fair value would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

— In the principal market for the asset or liability, or

— In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainly at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair values of dairy cows

The Group's dairy cows are valued at fair value less costs to sell. The fair value of dairy cows is determined based on either the market-determined prices as at the end of each of the Relevant Periods adjusted with reference to the species, age, growing condition, cost incurred and expected yield of the milk to reflect differences in characteristic and/or stages of growth of dairy cows; or the present value of expected net cash flows from the dairy cows discounted at a current market-determined rate, when market-determined prices are unavailable. Any changes in the estimates may affect the fair value of the dairy cows significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in fair value of dairy cows. Further details are given in note 15 to the Financial Information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the production and sales of raw milk. For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

The Group's revenue from external customers is derived solely from its operations in the PRC.

All external sales of milk produced by the Group during the Relevant Periods are contributable to customers located in the PRC.

All non-current assets were located in the PRC.

Total segment assets and liabilities equal to the total assets and liabilities of the Group.

During the years ended 31 December 2010, 2011 and 2012, and the six-month period ended 30 June 2013, the Group made sales to customers, which individually contributed to more than 10% of the Group's total revenue for that year/period. The analysis for each of the Relevant Periods is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	N/A	49,064	194,844	82,309	91,042
Customer B	N/A	46,234	305,346	141,088	153,310
Customer C	N/A	419	96,179	45,996	37,503
Customer D	337	52,820	91,673	57,989	94,806
Others	N/A	248	1,071	N/A	8,468
	337	148,785	689,113	327,382	385,129

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of raw milk sold.

An analysis of revenue and other income is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
Sales of raw milk	337	148,785	689,113	327,382	385,129
Other income					
Government subsidies	5,019	905	14,391	95	7,565
Interest income from banks deposit	117	129	116	59	64
Rental income	1,300	900	—	—	—
Sales of male calves	5	521	2,426	1,229	2,311
Others	20	130	580	122	78
	6,461	2,585	17,513	1,505	10,018

Fair value of milk produced less costs to sell at the point of harvest is as follows:

Fair value of milk produced less cost to sell	337	145,491	671,730	319,330	375,881

5. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on other financial liability	—	—	—	—	31,546
Imputed interest on non-interest-bearing financial arrangement	—	12,184	28,958	8,262	10,433
Interest on bank and other borrowings wholly repayable within five years	5,480	19,125	20,834	16,918	14,257
Interest on bank and other borrowings wholly repayable beyond five years	—	3,356	3,062	1,567	1,944
	5,480	34,665	52,854	26,747	58,180
Less: Interest capitalised	(4,955)	(10,495)	(7,112)	(7,112)	—
	525	24,170	45,742	19,635	58,180

The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation for the years ended 31 December 2010, 2011 and 2012 were 2.64%, 3.08% and 1.45%, respectively.

6. PROFIT BEFORE TAX

The Group's profit before tax from operations is arrived at after charging/(crediting):

		Year ended 31 December			Six-month period ended 30 June	
		2010	2011	2012	2012	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Breeding costs to produce		170	76,846	339,341	160,232	181,680
Production costs for raw milk		54	20,558	89,289	39,897	52,987
Cost of sales		224	97,404	428,630	200,129	234,667
Depreciation	*12*	1,022	14,374	36,138	15,892	24,877
Recognition of prepaid land lease payments	*13*	1,052	1,567	4,049	2,038	2,574
Auditors' remuneration		37	132	323	294	148
Changes in fair value less costs to sell of biological assets	*15*	(5,608)	(9,903)	(17,713)	(15,400)	16,462
Employee benefit expenses (including directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		714	6,613	21,917	9,626	12,526
Pension scheme contributions		150	477	1,719	763	1,213
		864	7,090	23,636	10,389	13,739
Foreign exchange differences, net		—	—	—	—	647

7. INCOME TAX

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which is effective from 1 January 2008. On 6 December 2007, the State Council issued Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed on both domestic and foreign-invested enterprises from 1 January 2008.

According to the prevailing tax rules and regulation, the Group is operating in agricultural business and is exempted from enterprise income tax.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December						Six-month period ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Profit before tax	8,109		189,853		209,741		106,108		99,594	
Tax at the statutory tax rate	2,027	25.0	47,463	25.0	52,435	25.0	26,527	25.0	24,899	25.0
Expenses not deductible for tax	13	0.2	—	—	—	—	—	—	—	—
Effect of tax exemptions granted to agricultural entities	(2,040)	(25.2)	(47,463)	(25.0)	(52,435)	(25.0)	(26,527)	(25.0)	(24,899)	(25.0)
Tax charge at the Group's effective rate	—	—	—	—	—	—	—	—	—	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	—	396	970	288	504
Pension scheme contributions	—	1	—	—	—
	—	397	970	288	504

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010					
Wu Chi Keung	—	—	—	—	—
Zhang Yuezhou	—	—	—	—	—
Zhu Zhanbo	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011					
Wu Chi Keung	—	—	—	—	—
Zhang Yuezhou	—	—	—	—	—
Zhu Zhanbo	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Wu Chi Keung	—	—	—	—	—
Zhang Yuezhou	—	—	—	—	—
Zhu Zhanbo	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six-month period ended 30 June 2012 (Unaudited)					
Wu Chi Keung	—	—	—	—	—
Zhang Yuezhou	—	—	—	—	—
Zhu Zhanbo	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six-month period ended 30 June 2013					
Wu Chi Keung	—	—	—	—	—
Zhang Yuezhou	—	—	—	—	—
Zhu Zhanbo	—	—	—	—	—
	—	—	—	—	—

(b) Executive directors, non-executive directors and chief executive

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010					
Executive directors:					
Fu Wenguo*	—	—	—	—	—
Wang Shaogang	—	—	—	—	—
Su Shiqin	—	—	—	—	—
Zhao Hongliang	—	—	—	—	—
	—	—	—	—	—
Non-executive directors:					
Sun Wei	—	—	—	—	—
Lau Ho Fung	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011					
Executive directors:					
Fu Wenguo*	—	—	—	—	—
Wang Shaogang	—	302	—	—	302
Su Shiqin	—	94	—	1	95
Zhao Hongliang	—	—	—	—	—
	—	396	—	1	397
Non-executive directors:					
Sun Wei	—	—	—	—	—
Lau Ho Fung	—	—	—	—	—
	—	396	—	1	397

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Executive directors:					
Fu Wenguo*	—	595	—	—	595
Wang Shaogang	—	242	—	—	242
Su Shiqin	—	133	—	—	133
Zhao Hongliang	—	—	—	—	—
	—	970	—	—	970
Non-executive directors:					
Sun Wei	—	—	—	—	—
Lau Ho Fung	—	—	—	—	—
	—	970	—	—	970

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six-month period ended 30 June 2012 (Unaudited)					
Executive directors:					
Fu Wenguo*	—	181	—	—	181
Wang Shaogang	—	61	—	—	61
Su Shiqin	—	46	—	—	46
Zhao Hongliang	—	—	—	—	—
	—	288	—	—	288
Non-executive directors:					
Sun Wei	—	—	—	—	—
Lau Ho Fung	—	—	—	—	—
	—	288	—	—	288

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six-month period ended 30 June 2013					
Executive directors:					
Fu Wenguo*	—	181	—	—	181
Wang Shaogang	—	89	—	—	89
Su Shiqin	—	53	—	—	53
Zhao Hongliang	—	181	—	—	181
	—	504	—	—	504
Non-executive directors:					
Sun Wei	—	—	—	—	—
Lau Ho Fung	—	—	—	—	—
	—	504	—	—	504

* *Mr. Fu Wenguo is also the chief executive officer of the Company.*

There was no agreement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2010, 2011 and 2012 and the six-month period ended 30 June 2012 and 2013 included nil, one, two, two and three directors and chief executive, respectively, details of whose remuneration are set out in note 8 above.

The aggregate amounts of the remuneration in respect of the individuals who are not directors are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	312	523	637	230	158
Performance related bonuses	—	137	—	—	—
Pension scheme contributions	7	37	11	4	2
	319	697	648	234	160

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	Number of employees	Number of employees	Number of employees	Number of employees (Unaudited)	Number of employees
Nil to HK$1,000,000	5	4	3	3	2

10. PROFITS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the six-month period ended 30 June 2013 included a loss of RMB45,910,000 (year ended 31 December 2012: Nil) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010, net of accumulated depreciation	19	61	1,151	32	1,465	171,609	174,337
Additions	450	151	24,169	69	23,581	271,985	320,405
Transfers	164,260	—	—	—	—	(164,260)	—
Depreciation provided during the year	(61)	(13)	(313)	(9)	(626)	—	(1,022)
Disposals/write-off	—	—	(54)	—	(563)	—	(617)
At 31 December 2010 and 1 January 2011, net of accumulated depreciation	164,668	199	24,953	92	23,857	279,334	493,103
Acquisition of subsidiaries *(note 29)*	377,181	345	36,407	2,403	5,724	44,713	466,773
Additions	6,385	244	27,948	87	17,613	156,622	208,899
Transfers	56,410	—	—	—	—	(56,410)	—
Depreciation provided during the year	(8,556)	(47)	(2,666)	(179)	(2,926)	—	(14,374)
Disposals/write-off	—	(141)	(115)	(5)	(1,055)	—	(1,316)
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	596,088	600	86,527	2,398	43,213	424,259	1,153,085
Additions	13	273	44,100	3,717	6,954	127,382	182,439
Transfers	461,949	—	—	—	—	(461,949)	—
Depreciation provided during the year	(22,816)	(167)	(6,866)	(784)	(5,505)	—	(36,138)
Disposals/write-off	(40)	(5)	(167)	(4)	(51)	—	(267)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	1,035,194	701	123,594	5,327	44,611	89,692	1,299,119
Additions	46	209	832	49	410	17,351	18,897
Transfers	9,191	—	—	—	—	(9,191)	—
Depreciation provided during the period	(16,401)	(120)	(4,575)	(662)	(3,119)	—	(24,877)
Disposals/write-off	(452)	—	(22)	(1)	(7)	—	(482)
At 30 June 2013, net of accumulated depreciation	1,027,578	790	119,829	4,713	41,895	97,852	1,292,657
At 1 January 2010:							
Cost	19	62	1,174	32	1,510	171,609	174,406
Accumulated depreciation	—	(1)	(23)	—	(45)	—	(69)
Net carrying amount	19	61	1,151	32	1,465	171,609	174,337
At 31 December 2010 and 1 January 2011:							
Cost	164,729	213	25,289	101	24,528	279,334	494,194
Accumulated depreciation	(61)	(14)	(336)	(9)	(671)	—	(1,091)
Net carrying amount	164,668	199	24,953	92	23,857	279,334	493,103
At 31 December 2011 and 1 January 2012:							
Cost	604,705	661	89,529	2,586	46,810	424,259	1,168,550
Accumulated depreciation	(8,617)	(61)	(3,002)	(188)	(3,597)	—	(15,465)
Net carrying amount	596,088	600	86,527	2,398	43,213	424,259	1,153,085
At 31 December 2012:							
Cost	1,089,758	1,147	138,101	7,360	54,903	89,692	1,380,961
Accumulated depreciation	(54,564)	(446)	(14,507)	(2,033)	(10,292)	—	(81,842)
Net carrying amount	1,035,194	701	123,594	5,327	44,611	89,692	1,299,119
At 30 June 2013:							
Cost	1,098,542	1,338	138,906	7,407	55,286	97,852	1,399,331
Accumulated depreciation	(70,964)	(548)	(19,077)	(2,694)	(13,391)	—	(106,674)
Net carrying amount	1,027,578	790	119,829	4,713	41,895	97,852	1,292,657

At 31 December 2010, 2011 and 2012 and 30 June 2013, certain of the Group's property, plant and equipment with carrying amounts of approximately RMB16,553,000, RMB15,257,000, RMB13,960,000 and RMB13,313,000, respectively, were pledged to secure general bank loans granted to the Group (note 23).

At 31 December 2011 and 2012 and 30 June 2013, certain of the Group's buildings and plants with net carrying amounts of approximately RMB299,701,000, RMB290,071,000 and RMB285,257,000 were pledged to secure the acquisition of YST Heping and Ruixinda Gannan.

At 31 December 2010, 2011 and 2012 and 30 June 2013, all the Group's buildings located in the PRC did not have building ownership certificates. The Directors have sought for PRC legal advice and have confirmed that the Group is eligible to use the buildings though the formal title of these buildings will not be granted to the Group.

13. PREPAID LAND LEASE PAYMENTS

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	30,536	29,484	122,275	122,293
Acquisition of subsidiaries *(note 29)*	—	92,858	—	—
Additions	—	1,500	4,067	—
recognized during the year/period	(1,052)	(1,567)	(4,049)	(2,574)
Carrying amount at end of the year/period	29,484	122,275	122,293	119,719
Current portion	(1,052)	(3,165)	(4,546)	(4,546)
Non-current portion	28,432	119,110	117,747	115,173

The leasehold lands are situated in the PRC and are held under medium term leases.

At 31 December 2010, 2011 and 2012 and 30 June 2013, all the Group's leasehold lands located in the PRC did not have land use right certificates as all are land leased from various independent third parties. The directors of the Company have sought for PRC legal advice and have confirmed that the Group is eligible to use the land though the formal title of these lands will not be granted to the Group.

14. PREPAYMENTS AND OTHER RECEIVABLES

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	6,236	102,804	4,167	9,094
Other receivables	1,857	13,439	7,790	16,624
	8,093	116,243	11,957	25,718
Non-current portion	(6,219)	(79,311)	(1,762)	(3,067)
Current portion	1,874	36,932	10,195	22,651

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. BIOLOGICAL ASSETS

A — Nature of Activities

Dairy cows owned by the Group are primarily held to produce milk.

The quantity of dairy cows owned by the Group at 31 December 2010, 2011 and 2012 and 30 June 2013 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held at 31 December 2010, 2011 and 2012 and 30 June 2013 are dairy cows that have not had their first calves.

	31 December			30 June
	2010	2011	2012	2013
	heads	heads	heads	heads
Dairy cows				
Milkable cows	97	14,950	20,643	20,885
Heifers and calves	7,796	17,269	16,357	17,903
Total dairy cows	7,893	32,219	37,000	38,788

The Group is exposed to fair value risks arising from changes in price of the dairy products. The Group does not anticipate that the price of the dairy products will decline significantly in the foreseeable future and the directors of the Company are of the view that there is no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the dairy products.

In general, heifers are inseminated with semen when they reached the age of approximately 13 months. After approximately nine months following a successful insemination, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days to 340 days before an approximately 55 days' resting period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the estimated fair value on the date of transfer. The sale of dairy cows is not one of the Group's principal activities and the proceeds are not included as revenue.

The Group is exposed to a number of risks related to its biological assets. In addition to the financial risk disclosed in note 32, the Group is exposed to the following operation risks:

(i) Regulatory and environmental risks

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

(ii) Climate, disease and other natural risks

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

B — Value of Dairy Cows

The value of dairy cows at the end of each of the Relevant Periods was:

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Dairy cows	173,360	805,010	941,620	987,233

	Heifers and calves	Milkable cows	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2010	—	—	—
Increases due to purchases	148,866	—	148,866
Increase due to raising (feeding costs and others)	19,174	—	19,174
Transfer in/(out)	(2,610)	2,610	—
Decrease due to sales	(284)	(4)	(288)
Gain/(loss) arising from changes in fair value less costs to sell	5,617	(9)	5,608
Balance as at 31 December 2010 and 1 January 2011	170,763	2,597	173,360
Acquisition of subsidiaries *(note 29)*	171,477	332,269	503,746
Increase due to purchases	40,483	—	40,483
Increase due to raising (feeding costs and others)	89,006	—	89,006
Transfer in/(out)	(126,867)	126,867	—
Decrease due to sales	(9,688)	(1,800)	(11,488)
Gain/(loss) arising from changes in fair value less costs to sell	24,367	(14,464)	9,903
Balance as at 31 December 2011 and 1 January 2012	359,541	445,469	805,010
Increase due to raising (feeding costs and others)	142,659	—	142,659
Transfer in/(out)	(264,943)	264,943	—
Decrease due to sales	(6,400)	(17,362)	(23,762)
Gain/(loss) arising from changes in fair value less costs to sell	94,856	(77,143)	17,713
Balance as at 31 December 2012 and 1 January 2013	325,713	615,907	941,620
Increase due to raising (feeding costs and others)	90,084	—	90,084
Transfer in/(out)	(65,731)	65,731	—
Decrease due to sales	(4,125)	(23,884)	(28,009)
Gain/(loss) arising from changes in fair value less costs to sell	20,471	(36,933)	(16,462)
Balance as at 30 June 2013	366,412	620,821	987,233

The Group's dairy cows in the PRC were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), a firm of independent qualified professional valuers not connected with the Group, who has appropriate qualifications and recent experiences in valuation of biological assets. The fair value less costs to sell of the heifers and calves are determined with reference to the market prices of items with similar age, breed and genetic merit, if the market prices are available. There is no active market for heifers and calves in PRC market. An arm's length negotiation price in PRC might deviate from overseas market price because of transportation costs, administration costs and other factors. Due to the fact that the market prices of milkable cows are not available, JLL has applied the net present value approach to calculate the fair value less costs to sell of these items.

The principal valuation assumptions adopted in applying the net present value approach are as follows:

- The quantities of the existing dairy cows at the end of each of the Relevant Periods will reduce at a certain culling rate due to natural or unnatural factors.

- The culling rates adopted are 10%, 13%, 15%, 23%, 35% and 100% for milkable cows in the first to sixth lactation cycles. These rates are based on the historical breeding data of the Group and future operating plans.

- The average milk yield during the projected period of six lactation cycles, which is the estimated amount of milk producible by a cow.

- The expected average prices of milk during the projected period of six lactation cycles, which is the estimated production period of a dairy cow, are estimated after taking into account certain percentage growth for each projected year after considering future demand and inflation in the PRC.

- The cash flows for financing the assets and taxation are not included as required by IAS 41 Agriculture.

- Costs are average costs based on historical cost information.

- The discount rates used are 14.0%, 14.7% and 13.8% for the years ended 2011 and 2012 and the six-month period ended 30 June 2013, respectively.

The principal valuation assumption adopted in measuring fair value of heifers and calves are as follows.

- The valuation of the fair value of biological assets has taken into consideration the transportation costs following IFRS 13 "Fair value measurement". Because of the import and export control of livestock in the PRC, the directors are of the view that the PRC is the principal market in determining the fair value. The transportation costs for importing heifers and calves included in the market price estimated by the management of the Company amounted to RMB22,631,788, RMB51,207,000, RMB49,071,000 and RMB53,709,000, as at 31 December 2010, 2011, 2012 and the period ended 30 June 2013, respectively.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group has pledged a certain number of dairy cows, respectively, to banks to secure the general banking facilities granted to the Group (note 23).

The aggregate gains or losses arising during the years ended 31 December 2010, 2011 and 2012 and the six-month period ended 30 June 2013 on initial recognition of dairy cows and milk and from the changes in fair value less costs to sell of dairy cows are analysed as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of milk/fair value of milk produced less costs to sell	337	145,491	671,730	319,330	375,881
Gain/(loss) arising from changes in fair value less costs to sell	5,608	9,903	17,713	15,400	(16,462)
	5,945	155,394	689,443	334,730	359,419

C — Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010	—	—	173,360	173,360
As at 31 December 2011	—	—	805,010	805,010
As at 31 December 2012	—	—	941,620	941,620
As at 30 June 2013	—	—	987,233	987,233

D — Sensitivity analysis

Feeding costs sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in feeding costs, with all other variables held constant, of the Group's profit before tax (through the impact on changes in the feeding costs).

Group

	Increase/(decrease) in profit before tax				
	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase in feeding costs of 10%	(17)	(7,685)	(33,947)	(16,046)	(18,159)
Decrease in feeding costs of 10%	17	7,685	33,947	16,046	18,159

Milk price sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in milk price, with all other variables held constant, of the Group's profit before tax (through the impact on changes in milk price).

Group

	Increase/(decrease) in profit before tax				
	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase in milk price of 10%	33	14,879	68,911	(32,738)	38,513
Decrease in milk price of 10%	(33)	(14,879)	(68,911)	32,738	(38,513)

16. INVENTORIES

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Feeds	46,847	115,431	130,623	82,412
Others	1,609	9,620	8,499	6,096
	48,456	125,051	139,122	88,508

17. TRADE RECEIVABLES

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	46,343	70,886	70,444
Impairment	—	—	—	—
	—	46,343	70,886	70,444

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a few number of customers, there is no significant concentration of credit risk as disclosed in note 32 to the Financial Information. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	—	45,924	41,051	66,756
Over one month and within two months	—	—	15,363	3,688
Over two months	—	419	14,472	—
	—	46,343	70,886	70,444

No impairment of trade receivables for each of the Relevant Periods is provided.

At the end of each of the Relevant Periods, the aged analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	—	45,924	41,051	66,756
Less than 1 month past due	—	—	15,363	3,688
1 month to 3 months past due	—	—	13,919	—
Over 3 months past due	—	419	553	—
	—	46,343	70,886	70,444

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

Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. AMOUNTS DUE FROM/TO SHAREHOLDERS/RELATED COMPANIES

Particulars of the amounts due from a shareholder and related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

31 December 2011

Group

	31 December 2011	Maximum amount outstanding during the year	1 January 2011
	RMB'000	RMB'000	RMB'000
Due from a related company			
Heilongjiang Dinghe Modern Agricultural Company Limited ("Dinghe Modern")	1,000	1,000	—

31 December 2012

Group

	31 December 2012	Maximum amount outstanding during the year	1 January 2012
	RMB'000	RMB'000	RMB'000
Due from related companies			
Dinghe Modern	—	2,000	1,000
Heilongjiang Dinghe Feeds Company Limited ("Dinghe Feeds")	510	510	—
	510		1,000

30 June 2013

Group

	30 June 2013	Maximum amount outstanding during the period	1 January 2013
	RMB'000	RMB'000	RMB'000
Due from a shareholder			
Meng Fanqing	55,121	55,121	—
Due from a related company			
Dinghe Feeds	—	510	510

An analysis of the amounts due to shareholders is as follows:

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due to shareholders				
Zhao Hongliang	300	103,900	59,360	—
Hu Yiyao	—	—	15,000	—
Zhang Dijun	—	—	10,000	—
Zhang Chaohui	—	—	25,000	—
Xiong Han	—	—	15,000	—
Song Miao	—	—	10,085	—
Xie Dehe	—	—	76	—
Meng Fanqing	—	—	—	53,247
	300	103,900	134,521	53,247
Less: non-current portion	—	—	—	(53,247)
	300	103,900	134,521	—

An analysis of the amounts due to related companies is as follows:

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Heilongjiang Beian Nongken Tianhe Trading Company Limited ("HLJ Beian")	15,900	163,563	281,609	—
Dinghe Modern	—	—	30,331	15,687
Heilongjiang Dinghe Feeds Company Limited ("Dinghe Feeds")	—	—	—	1,322
Heilongjiang Dinghe Qinggang Husbandry Company Limited ("Dinghe Qinggang")	—	2,057	—	2,802
Heilongjiang Beian Reclamation Area Sanhe Construction Co., Ltd. Zhaoguang Branch ("Sanhe")	78,472	67,471	54,166	21,906
	94,372	233,091	366,106	41,717

All the above related companies are controlled by Zhao Hongliang, the controlling shareholder.

Other than the balances with Meng Fanqing, which are repayable in two years, balances with shareholders are unsecured, interest-free and have no fixed terms of repayment.

Included in the balances due to related companies are trade payables of RMB2,057,000, RMB331,000 and RMB4,811,000 as at 31 December 2011 and 2012 and 30 June 2013, respectively, which are repayable within 90 days, which represented similar credit terms to those offered by the related companies to their major customers.

19. CASH AND CASH EQUIVALENTS

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	73,882	17,419	7,748	407,969
Cash and cash equivalents denominated in:				
RMB	73,882	17,419	7,748	9,646
HK$	—	—	—	9,542
US$	—	—	—	388,781
	73,882	17,419	7,748	407,969

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's cash and bank balances denominated in RMB amounted to RMB73,882,000, RMB17,419,000 and RMB7,748,000 and RMB9,646,000, respectively. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 2 months	19,958	100,303	110,393	76,695
2 to 6 months	5,460	31,431	60,836	53,021
6 to 12 months	902	10,632	18,376	32,272
Over 1 year	—	220	18,050	14,842
	26,320	142,586	207,655	176,830

Trade payables are non-interest-bearing and are normally settled on two to six months' terms.

21. OTHER PAYABLES AND ACCRUALS

Group

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income	12,179	19,954	21,439	20,376
Other payables — construction	141,569	80,922	78,251	56,206
Other payables — equipment and materials	57,987	119,301	48,833	15,207
Others	142,875	814,473	681,006	474,947
	354,610	1,034,650	829,529	566,736
Non-current portion	—	(238,510)	—	(276,516)
Current portion	354,610	796,140	829,529	290,220

22. OTHER FINANCIAL LIABILITY

Group

	RMB'000
Present value of exercise price of written put option on ordinary shares of the Company, net of transaction costs	585,180
Interest therein	31,546
At 30 June 2013	616,726

On 28 March 2013, the Company has entered into Pre-IPO Subscription Agreements with three third parties (''Pre-IPO Investors'') to subscribe for 15,289 ordinary shares of the Company with a total consideration of approximately RMB605,794,000. The directly attributable costs upon issuance was RMB20,614,000.

Pursuant to the terms of the Pre-IPO Subscription Agreements, each Pre-IPO Investor has been granted a put option (the ''Put Option'') to require the Company and the Controlling Shareholders, on a joint and several basis, to repurchase or purchase the shares held by such Pre-IPO Investor upon the occurrence of the event that an initial public offering of shares on a qualified exchange does not occur on 30 June 2014 which was then extended to 1 January 2015, as amended by put option side letters dated 28 October 2013.

The Pre-IPO Investments was accounted for as other financial liability and measured at amortised cost with an effective interest rate of 23.3%.

23. INTEREST-BEARING BANK BORROWINGS

Group

	Year ended 31 December									Six-month period ended 30 June		
	2010			2011			2012			2013		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current												
Secured bank loans	—	—	—	5.8–6.6	2012	60,000	6.3–6.6	2013	100,000	6.0–7.21	2013	100,000
Current portion of long term secured bank loans	5.3–5.8	2011	31,980	5.8–6.6	2012	66,497	6.3–6.6	2013	66,497	6.0–7.21	2013	86,755
			31,980			126,497			166,497			186,755
Non-current												
Secured bank loans	5.9–6.4	2015	127,920	6.4–7.8	2013–2019	364,973	6.8–7.8	2013–2019	298,477	6.0–7.21	2015–2019	262,228
			159,900			491,470			464,974			448,983

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	31,980	126,497	166,497	186,755
In the second year	31,980	66,497	106,497	106,238
In the third to fifth years, inclusive	95,940	218,476	151,980	135,990
Beyond five years	—	80,000	40,000	20,000
	159,900	491,470	464,974	448,983

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) Property, plant and equipment situated in the PRC, with net carrying amounts of approximately RMB16,553,000, RMB15,257,000 and RMB13,960,000 and RMB13,313,000 at 31 December 2010, 2011, 2012 and 30 June 2013, respectively.

(ii) A certain number of dairy cows included in biological assets and situated in the PRC had been pledged in the Relevant Periods.

(b) The Group's bank borrowings were guaranteed by certain directors of the Company, namely Wang Shaogang and Fu Wenguo, and one of the Group's customers, Feihe International, Inc., and its subsidiaries (collectively the "Feihe Dairy Group").

24. SHARE CAPITAL

The Company is a limited liability company incorporated in the Bermuda on 1 May 2012. The authorised and issued share capital of the Company was HK$580 divided into 58,000 shares of HK$0.01 each.

There was no authorised and issued capital as at 31 December 2010 and 2011 since the Company has not yet been incorporated.

Company

		Number of ordinary shares of HK$0.01	Nominal value of ordinary shares Equivalent to	
	Notes		HK$	RMB
Authorised, issued and fully paid:				
On incorporation	*(a)*	58,000	580	472
Issuance of new shares on 30 April 2013	*(b)*	15,289	153	123
		73,289	733	595

During the year ended 31 December 2012 and the six-month period ended 30 June 2013, the movement in share capital was as follows:

(a) Pursuant to an ordinary resolution passed on 4 May 2012, 58,000 ordinary shares of HK$0.01 were allotted, issued and credited as fully paid to the Company's initial subscribers.

(b) Pursuant to an ordinary resolution passed on 30 April 2013, 15,289 ordinary shares of HK$0.01 were allotted and issued to the Pre-IPO Investors for a total cash consideration of RMB605,794,000. The par value of the shares issued amounting to RMB123 was credited to share capital while the present value of the remaining balance was accounted for as other financial liability (note 22).

25. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page IA-6.

(b) The amounts of the Group's reserves are a capital contribution from Ms. SX Li by YST Heilongjiang for repayment of the total indebtedness.

(c) Company

	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At date of incorporation, 31 December 2012 and 1 January 2011	—	—	—
Loss for the period	—	(45,910)	(45,910)
Exchange differences on translation of foreign operations	(2,029)	—	(2,029)
Total comprehensive loss for the period At 30 June 2013	(2,029)	(45,910)	(47,939)

26. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(a) During the years ended 31 December 2011 and 2012 and the six-month period ended 30 June 2012 and 2013, the Group delivered raw milk of RMB17,983,000, RMB91,673,000, RMB57,989,000 and RMB63,024,000 to Feihe Dairy Group for settlement of considerations for the acquisition of Ruixinda Gannan and YST Heping. For details, please refer to note 29 to the Financial Information.

(b) During the years ended 31 December 2011 and 2012 and the six-month period ended 30 June 2012 and 2013, the finance income and expenses arisen due to accounting treatment on non-interest-bearing financial treatment are non-cash items. For details, please refer to notes 4 and 5 to the Financial Information.

27. CAPITAL COMMITMENTS

The Group had the following commitments at the end of each of the Relevant Periods:

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
— Construction in progress	129,438	122,067	73,392	59,205
— Property and equipment	11,619	5,156	1,688	8,096
	141,057	127,223	75,080	67,301

28. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the years:

		Year ended 31 December			Six-month period ended 30 June	
		2010	2011	2012	2012	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Advance from						
HLJ Beian	*(i)*	15,900	147,663	132,766	68,486	—
Dinghe Modern	*(i)*	—	—	30,000	—	—
Payment for construction costs						
Sanhe	*(iv)*	68,242	157,194	50,330	8,530	54,218
Purchase of feeds						
Dinghe Modern	*(ii), (iii)*	—	—	1,331	1,000	355
Dinghe Feeds	*(ii), (iii)*	—	1,000	17,519	11,213	1,640
Dinghe Qinggang	*(ii), (iii)*	—	2,707	3,243	12	1,059

Notes:

(i) The loans from a related company were non-interest-bearing. The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

(ii) The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

(iii) The Controlling Shareholder is beneficial owner of these entities.

(iv) The Controlling Shareholder is a responsible person of this branch.

(b) Compensation of key management personnel of the Group is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short term employee benefits	214	564	1,391	279	299
Post-employment benefits	—	9	—	—	—
Total compensation paid to key management personnel	214	573	1,391	279	299

Further details of directors and the chief executive's remunerations are included in note 8 to the Financial Information.

29. BUSINESS COMBINATION

On 28 and 29 September 2011, the Group acquired 100% interests in YST Heping and Ruixinda Gannan, respectively, from independent third parties, Feihe Dairy HLJ and Mr. Ma Jinyan. YST Heping and Ruixinda Gannan are engaged in raw milk production. The acquisition was made as part of the Group's strategy to expand its market share of dairy products in the PRC. The purchase consideration for the acquisition included a cash consideration of RMB114,520,000. The remaining purchase price of RMB691,244,000 is to be satisfied by the Group's delivery to Feihe Dairy HLJ, in six quarterly instalments, of raw milk with an aggregate value at amortised cost of RMB691,244,000 from YST Heping and Ruixinda Gannan to be settled by cash or delivery of milk at the option of the Group.

On 25 April 2013, the Group further entered into a supplementary agreement with Feihe Dairy International for the repayment of the outstanding purchase consideration of RMB532,254,000. Pursuant to the supplementary agreement, the outstanding purchase consideration would be settled in eleven quarterly installments of RMB48,387,000 per quarter from 1 April 2013 to 31 December 2015 by either cash or delivery of raw milk at the option of the Group.

The fair values of the identifiable assets and liabilities of YST Heping and Ruixinda Gannan as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** **RMB'000**
Property, plant and equipment	*12*	466,773
Prepaid land lease payments	*13*	92,858
Biological assets	*15*	503,746
Inventories		27,981
Cash and bank balances		4,340
Trade receivables, prepayments and other receivables		173,615
Interest-bearing bank borrowings		(120,808)
Trade and other payables		(178,324)
Total identifiable net assets at fair value		970,181
Gain on bargain purchase recognized in the consolidated profit or loss	*4*	(164,417)
		805,764
Satisfied by		
Cash		114,520
Future delivery of raw milk or cash		691,244
Total consideration		805,764

The fair value and gross contractual amount of the trade receivables and other receivables as at the date of acquisition are the same, amounting to RMB41,308,000 and RMB6,130,000, respectively, of which no balance is expected to be uncollectible.

There are no transaction costs for this acquisition borne by the Group.

The gain on bargain purchase, amounting to RMB164.4 million, was recognized in the profit or loss for the year ended 31 December 2011, mainly representing the difference between the fair value and the sum of the book value of the net assets plus payables to Feihe Dairy Group of RMB734.5 million and certain reversal of depreciation and recognition of fair value of biological assets due to different accounting treatments.

Reconciliation in respect of the negative goodwill is as follows:

	RMB'000
Book value of YST Heping and Ruixinda Gannan as at 30 September 2011 (excluding an amount due to Feihe Dairy Group)	807,551
Adjustment related to the reversal of depreciation on biological assets	59,158
Adjustment related to the fair value change on biological assets	103,472
Total identifiable net assets at fair value of YST Heping and Ruixinda Gannan as at 30 September 2011	970,181

The book value is determined by the historical costs of the assets and, as agreed by both parties, is used as a benchmark for the purchase consideration. The purchase consideration was made with reference to the book value of the assets of YST Heping and Ruixinda Gannan, of which biological assets were presented at amortised historical value under the historical cost basis under PRC generally accepted accounting principles.

Upon the adoption of IFRS 3 (Revised), certain assets, in particular, the biological assets were measured at fair value at the date of business combination pursuant to which biological assets were presented at fair value as determined by an independent valuer, JLL.

Due to the different accounting treatments between the historical cost basis and the fair value basis, a significant gain on bargain purchase, representing the difference between the purchase consideration and the fair value of the acquired assets, was recorded in the Financial Information.

An analysis of cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(114,520)
Cash and bank balances acquired	4,340
Net outflow of cash and cash equivalents included in cash flows from investing activities	(110,180)
Transaction costs of the acquisition included in cash flows from operating activities	—
	(110,180)

Since the acquisition, YST Heping and Ruixinda Gannan contributed RMB102,830,000 to the Group's turnover and RMB21,322,000 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year of 2011, the revenue of the Group and the profit of the Group for the year of 2011 would have been RMB358,994,000 and RMB180,072,000, respectively.

30. FINANCIAL INSTRUMENTS BY CATEGORY

As at the end of each of the Relevant Periods, all the financial assets and liabilities of the Group were loans and receivables and financial liabilities at amortised cost, respectively.

31. FAIR VALUE

The carrying amounts and fair values of the Group's financial instruments are as follows:

Group

	Carrying amounts				Fair values			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Deposits for property, plant and equipment	6,219	79,311	1,762	3,067	6,219	79,311	1,762	3,067
Amount due from a shareholder	—	—	—	55,121	—	—	—	55,121
Trade receivables	—	46,343	70,886	70,444	—	46,343	70,886	70,444
Financial assets included in prepayments, and other receivables	1,857	13,439	7,790	16,624	1,857	13,439	7,790	16,624
Amounts due from related companies	—	1,000	510	—	—	1,000	510	—
Cash and cash equivalents	73,882	17,419	7,748	407,969	73,882	17,419	7,748	407,969
	81,958	157,512	88,696	553,225	81,958	157,512	88,696	553,225

Group

	Carrying amounts				Fair values			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities								
Trade payables	26,320	142,586	207,655	176,830	26,320	142,586	207,655	176,830
Financial liabilities included in other payables and accruals	342,431	1,014,696	808,090	546,360	342,431	1,014,696	808,090	546,360
Amounts due to shareholders	300	103,900	134,521	—	300	103,900	134,521	—
Amounts due to related companies	94,372	233,091	366,106	41,717	94,372	233,091	366,106	41,717
Other financial liability	—	—	—	616,726	—	—	—	616,726
Interest-bearing bank borrowings	159,900	491,470	464,974	448,983	190,052	603,615	545,658	525,178
Amount due to a shareholder	—	—	—	53,247	—	—	—	53,247
	623,323	1,985,743	1,981,346	1,883,863	653,475	2,097,888	2,062,030	1,960,058

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings. The Group has various other financial assets and liabilities such as trade receivables, prepayments and other receivables, trade payables, other payables and balances with shareholders and related companies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and bank balances and bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
31 December 2010		
RMB	100	(860)
RMB	(100)	860
31 December 2011		
RMB	100	(4,741)
RMB	(100)	4,741
31 December 2012		
RMB	100	(4,572)
RMB	(100)	4,572

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
30 June 2013		
RMB	100	(585)
US$	100	175
RMB	(100)	585
US$	(100)	(175)

Credit risk

Credit risk of the Group's other financial assets, which comprise cash and bank balances, other receivables and amounts due from related companies, arise from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral.

At the end of each of the Relevant Periods, the Group had certain concentration of credit risk of 34%, 57% and 33%, 100%, 100% and 100% for the years ended 31 December 2011 and 2012 and the six-month period ended 30 June 2013 of the Group's trade receivables were due from the Group's largest customer and the four largest customers, respectively. Concentrations of credit risk are managed by establishing credit verification procedures. The management determines there are minimal concentrations of credit risk within the Group as the customers of the Group's trade receivables are recognized and creditworthy.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the Financial Information.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank loans and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	On demand or no later than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2013				
Other financial liability	720,000	—	—	720,000
Interest-bearing bank borrowings	180,759	324,343	20,071	525,173
Trade payables	176,830	—	—	176,830
Other payables and accruals	339,194	290,320	—	629,514
Amount due to a shareholder	—	60,000	—	60,000
Amounts due to related companies	19,811	—	—	19,811
	1,436,594	674,663	20,071	2,131,328
31 December 2012				
Interest-bearing bank borrowings	198,784	326,803	20,071	545,658
Trade payables	207,655	—	—	207,655
Other payables and accruals	939,525	—	—	939,525
Amounts due to shareholders	134,521	—	—	134,521
Amounts due to related companies	311,940	—	—	311,940
	1,792,425	326,803	20,071	2,139,299
31 December 2011				
Interest-bearing bank borrowings	160,991	400,330	42,294	603,615
Trade payables	142,586	—	—	142,586
Other payables and accruals	1,128,107	122,418	—	1,250,525
Amount due to a shareholder	103,900	—	—	103,900
Amounts due to related companies	165,620	—	—	165,620
	1,701,204	522,748	42,294	2,266,246
31 December 2010				
Interest-bearing bank borrowings	41,983	148,399	—	190,382
Trade payables	26,320	—	—	26,320
Other payables and accruals	433,082	—	—	433,082
Amount due to a shareholder	300	—	—	300
Amount due to a related company	15,900	—	—	15,900
	517,585	148,399	—	665,984

Company

	On demand or no later than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2013				
Other financial liability	720,000	—	—	720,000
Amounts due to subsidiaries	8,917	—	—	8,917
Other payables and accruals	5,945	—	—	5,945
	734,862	—	—	734,862
31 December 2012				
Amount due to a subsidiary	—	—	—	—
	—	—	—	—

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2010, 2011 and 2012 and the six-month period ended 30 June 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt is calculated as total bank borrowings as shown in the consolidated statements of financial position, less cash and cash equivalents.

Total capital is calculated as equity as shown in the consolidated statements of financial position plus net debt. The Group's policy is to maintain a healthy gearing ratio. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December			30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	159,900	491,470	464,974	448,983
Less: Cash and cash equivalents	(73,882)	(17,419)	(7,748)	(407,969)
Net debt	86,018	474,051	457,226	41,014
Total equity	190,876	380,729	590,470	1,143,130
Total capital	276,894	854,780	1,047,696	1,184,144
Gearing ratio	31.1%	55.5%	43.6%	3.5%

III. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to a resolution passed on 7 November 2013, the authorized share capital of the Company was increased from HK$58,000 to HK$500,000,000, by the creation of 49,994,200,000 additional shares of HK$0.01 each, ranking *pari passu* in all respects with the existing shares of the Company.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

14 November 2013

The Directors
Heilongjiang Gannan Ruixinda Dairy Farming Co., Ltd.
China Securities (International) Corporate Finance Company Limited
Credit Suisse (Hong Kong) Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the pre-acquisition financial information relating to Heilongjiang Gannan Ruixinda Dairy Farming Co., Ltd. ("Ruixinda Gannan") for the year ended 31 December 2010 and the nine-month period ended 30 September 2011 (the "Relevant Periods") (the "Ruixinda Gannan Pre-acquisition Financial Information"), and statement of comprehensive income, statement of changes in equity and statement of cash flows of Ruixinda Gannan for the nine-month period ended 30 September 2010 (the "Interim Comparative Information") for inclusion in the prospectus of YuanShengTai Dairy Farm Limited (the "Company") dated 14 November 2013 in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

Ruixinda Gannan was established in the People's Republic of China (the "PRC") on 9 July 2007 as a private limited company. Pursuant to an acquisition agreement dated 1 August 2011 entered into between Heilongjiang Feihe Dairy Co., Ltd. ("Feihe Dairy HLJ") and Harbin Ruixinda Dairy Farming Co., Ltd. ("Ruixinda"), Ruixinda will agree to acquire Ruixinda Gannan at a consideration of RMB470,401,000 (the "Acquisition").

The statutory financial year end date of Ruixinda Gannan is 31 December. Statutory financial statement for Ruixinda Gannan had been prepared for the year ended 31 December 2010, which have been audited by 黑龍江安聯會計師事務所有限公司北安分所, certified public accountants registered in the PRC.

For the purpose of this report, the directors of Ruixinda Gannan have prepared the financial statements of Ruixinda Gannan for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA").

The Ruixinda Gannan Pre-acquisition Financial Information as set out in this report has been prepared from the Underlying Financial Statements without adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Ruixinda Gannan Pre-acquisition Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Ruixinda Gannan Pre-acquisition Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Ruixinda Gannan Pre-acquisition Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Ruixinda Gannan Pre-acquisition Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Ruixinda Gannan Pre-acquisition Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE RUIXINDA GANNAN PRE-ACQUISITION FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2.1 of Section II below, the Ruixinda Gannan Pre-acquisition Financial Information gives a true and fair view of the state of affairs of Ruixinda Gannan as at 31 December 2010 and 30 September 2011, and of the results and cash flows of Ruixinda Gannan for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Ruixinda Gannan Pre-acquisition Financial Information.

I. FINANCIAL INFORMATION

(a) Statements of Comprehensive Income

	Notes	Year ended 31 December 2010	Nine months ended 30 September 2010	Nine months ended 30 September 2011
		RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5	51,118	37,422	92,197
Cost of sales		(42,042)	(32,074)	(60,483)
Gross profit		9,076	5,348	31,714
Other income	5	5,741	5,668	458
Selling and distribution expenses		(460)	(267)	(1,646)
Administrative expenses		(4,290)	(3,357)	(3,003)
Changes in fair value less costs to sell of biological assets		(35,946)	(19,005)	5,345
PROFIT/(LOSS) BEFORE TAX	6	(25,879)	(11,613)	32,868
Income tax expense	9	—	—	—
PROFIT/(LOSS) FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(25,879)	(11,613)	32,868

(b) Statements of Financial Position

	Notes	31 December 2010	30 September 2011
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	251,880	269,303
Prepaid land lease payments	*12*	72,220	71,042
Deposits for property, plant and equipment	*16*	26,467	26,362
Biological assets	*13*	169,764	194,488
Total non-current assets		520,331	561,195
CURRENT ASSETS			
Inventories	*14*	26,067	15,609
Trade receivables	*15*	7,101	16,213
Prepayments and other receivables	*16*	10	1,119
Prepaid land lease payments	*12*	1,570	1,570
Cash and cash equivalents	*17*	3,813	472
Total current assets		38,561	34,983
CURRENT LIABILITIES			
Trade payables	*18*	32,846	24,005
Amount due to a fellow subsidiary	*20*	4,500	4,500
Other payables and accruals	*19*	521,888	391,013
Total current liabilities		559,234	419,518
NET CURRENT LIABILITIES		(520,673)	(384,535)
TOTAL ASSETS LESS CURRENT LIABILITIES		(342)	176,660
NON-CURRENT LIABILITIES			
Other payables	*19*	—	144,134
Net assets/(liabilities)		(342)	32,526
EQUITY			
Paid-in capital	*21*	38,000	38,000
Accumulated losses	*22*	(38,342)	(5,474)
Total equity/(deficiency in assets)		(342)	32,526

(c) Statements of Changes in Equity

	Paid-in capital	Accumulated losses	Total equity/ (deficiency in assets)
	RMB'000	RMB'000	RMB'000
At 1 January 2010	38,000	(12,463)	25,537
Loss for the year and total comprehensive loss for the year	—	(25,879)	(25,879)
At 31 December 2010 and 1 January 2011	38,000	(38,342)	(342)
Profit for the period and total comprehensive income for the period	—	32,868	32,868
At 30 September 2011	38,000	(5,474)	32,526

(d) Statements of Cash Flows

	Notes	Year ended 31 December 2010	Nine months ended 30 September 2010	Nine months ended 30 September 2011
		RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		(25,879)	(11,613)	32,868
Adjustments for:				
Interest income	*5*	(16)	(13)	(16)
Depreciation	*11*	7,909	5,848	6,575
Recognition of prepaid land lease payments	*12*	1,570	1,178	1,178
Change in fair value less costs to sell of biological assets	*13*	35,946	19,005	(5,345)
		19,530	14,405	35,260
Decrease/(increase) in inventories		(3,502)	11,744	10,458
Increase in trade receivables		(5,948)	(9,598)	(9,112)
Decrease/(increase) in prepayments and other receivables		495	(103)	(1,109)
Increase/(decrease) in trade payables		8,780	(7,477)	(8,841)
Increase in other payables and accruals		94,715	83,258	13,259
Cash generated from operations		114,070	92,229	39,915
Interest received		16	13	16
Net cash flows from operating activities		114,086	92,242	39,931
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(20,589)	(4,415)	(24,066)
Additions to biological assets		(103,588)	(93,711)	(21,849)
Decrease in deposits for property, plant and equipment		1,766	120	105
Proceeds from disposal of biological assets		9,936	5,652	2,470
Proceeds from disposal of items of property, plant and equipment		—	—	68
Net cash flows used in investing activities		(112,475)	(92,354)	(43,272)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,611	(112)	(3,341)
Cash and cash equivalents at beginning of year/period		2,202	2,202	3,813
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		3,813	2,090	472

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Ruixinda Gannan is a limited liability company established in the People's Republic of China (the "PRC") and its registered office is located at Fanrong Street, Gannan, Qiqihar, Heilongjiang.

The principal activity of Ruixinda Gannan is the production and sale of raw milk. Pursuant to an agreement dated 1 August 2011 entered into between Ruixinda and Feihe Dairy HLJ, Ruixinda agreed to acquire Ruixinda Gannan at a consideration of RMB470,401,000 (the "Acquisition").

In the opinion of the Directors, after the Acquisition, Ruixinda is the immediate holding company of Ruixinda Gannan and its ultimate holding company is YuanShengTai Dairy Farm Limited.

The Ruixinda Gannan Pre-acquisition Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which Ruixinda Gannan operates (its functional currency).

2.1 BASIS OF PREPARATION

The Ruixinda Gannan Pre-acquisition Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for accounting periods commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the reporting entity in the preparation of the Ruixinda Gannan Pre-acquisition Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information. They have been prepared under the historical cost convention, except for biological assets, which have been measured at fair value. The Ruixinda Gannan Pre-acquisition Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

Ruixinda Gannan has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	Financial Instruments[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — Investment Entities[1]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-financial Assets[1]
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 January 2015

Ruixinda Gannan is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on Ruixinda Gannan's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, biological assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the reporting entity if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the reporting entity;

  (ii) has significant influence over the reporting entity; or

  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the reporting entity are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the reporting entity 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 reporting entity or an entity related to the reporting entity;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the reporting entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%
Leasehold improvements	Over the shorter of the lease terms and 18%
Furniture and fixtures	18%
Plant and machinery	6–7%
Motor vehicles	11–12%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Biological assets

Dairy cows

Dairy cows, including milkable cows, heifers and calves are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with any resultant gain or loss recognized in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes. The fair value of dairy cows is determined based on their present location and condition and is determined independently by professional valuers.

The feeding costs and other related costs including the depreciation charge, utility costs and consumables incurred for the raising of heifers and calves are capitalised, until such time as the heifers and calves begin to produce milk.

Agricultural produce

Milk

Agricultural produce represents milk. Milk is recognized at the point of harvest at its fair value less costs to sell. The fair value of milk is determined based on market prices in the local area. The costs to sell are the incremental costs directly attributable to the sales of milk, mainly transportation costs, excluding finance costs and income tax.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the reporting entity is the lessor, assets leased by the reporting entity under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the reporting entity is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The reporting entity determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the reporting entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in administrative expenses in receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the reporting entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the reporting entity has transferred substantially all the risks and rewards of the asset, or (b) the reporting entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the reporting entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the reporting entity's continuing involvement in the asset. In that case, the reporting entity also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the reporting entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the reporting entity could be required to repay.

Impairment of financial assets

The reporting entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the reporting entity first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the reporting entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the reporting entity.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are loans and borrowings. The reporting entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The reporting entity's financial liabilities include trade payables, other payables and accruals.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the reporting entity's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the reporting entity operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses, Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the reporting entity and when the revenue can be measured reliably, on the following bases:

(a) from the sale of milk, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the reporting entity maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

Employee benefits

The employees of the reporting entity which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The reporting entity is required to contribute 1% to 20% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Fair value measures

Fair value would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

— In the principal market for the asset or liability, or

— In the absence of a principal market, in the most advantageous market for the asset or liability The principal or the most advantageous market must be accessible to by Ruixinda Gannan. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into

account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Ruixinda Gannan uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Ruixinda Gannan's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainly at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair values of dairy cows

The reporting entity's dairy cows are valued at fair value less costs to sell. The fair value of dairy cows is determined based on either the market prices at the end of each of the Relevant Periods adjusted with reference to the age and cost to reflect differences in characteristic and/or stages of growth of dairy cows; or the present value of expected net cash flows from the dairy cows discounted at a current market-determined rate, when market prices are unavailable. Any changes in the estimates may affect the fair value of the dairy cows significantly. The independent qualified professional valuers and management review the assumptions and estimates periodically to identify any significant change in fair value of dairy cows. Further details are given in note 13 to the Ruixinda Gannan Pre-acquisition Financial Information.

4. OPERATING SEGMENT INFORMATION

Ruixinda Gannan is principally engaged in the production and sale of raw milk. Information reported to Ruixinda Gannan's management for the purpose of resources allocation and performance assessment, focuses on the operating results of Ruixinda Gannan as a whole as Ruixinda Gannan's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Ruixinda Gannan's revenue from external customers is derived solely from its operations in the PRC, and no assets of Ruixinda Gannan are located outside the PRC.

All external sales of milk produced of Ruixinda Gannan during the Relevant Periods are contributable to customers established in the PRC, the place of domicile of Ruixinda Gannan.

During the Relevant Periods, Ruixinda Gannan made sales to customers, which individually contributed to more than 10% of Ruixinda Gannan's total revenue for that year/period. The analysis for each of the Relevant Periods is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	N/A	N/A	37,502
Customer B	45,660	37,422	32,789
Customer C	N/A	N/A	21,906
Others	5,458	—	—
	51,118	37,422	92,197

5. REVENUE AND OTHER INCOME

Revenue, which is also Ruixinda Gannan's turnover, represents the net invoiced value of raw milk sold.

Sales of raw milk produced represented mainly the fair value of milk produced less costs to sell at the point of harvest.

An analysis of revenue and other income is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue			
Sales of raw milk	51,118	37,422	92,197
Other income			
Bank interest income	16	13	16
Government subsidies*	5,350	5,350	67
Sales of male calves	357	288	254
Others	18	17	121
	5,741	5,668	458

* *The amount received represented subsidies received from the relevant authorities in the PRC for Ruixinda Gannan's operation of construction and purchase of cattle.*

6. PROFIT/(LOSS) BEFORE TAX

Ruixinda Gannan's profit/(loss) before tax from operations is arrived at after charging/(crediting):

		Year ended 31 December	Nine months ended 30 September	
		2010	2010	2011
	Notes	RMB'000	RMB'000 (Unaudited)	RMB'000
Breeding costs to produce		32,318	24,893	48,496
Production costs for raw milk		9,724	7,181	11,987
Cost of sales		42,042	32,074	60,483
Depreciation	*11*	7,909	5,848	6,575
Recognition of prepaid land lease payments	*12*	1,570	1,178	1,178
Auditors' remuneration		—	—	8
Changes in fair value less costs to sell of biological assets	*13*	(35,946)	(19,005)	5,345
Employee benefit expenses (including directors' remuneration *(note 7)*):				
Wages and salaries		1,471	1,066	2,599
Pension scheme contributions		117	86	174
		1,588	1,152	2,773

7. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	—	—	—
Pension scheme contributions	—	—	—
	—	—	—

Executive directors

The remuneration of the executive directors for each of the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010					
Executive director:					
Ma Jinyan	—	—	—	—	—
Period ended 30 September 2010 (unaudited)					
Executive director:					
Ma Jinyan	—	—	—	—	—
Period ended 30 September 2011					
Executive directors:					
Ma Jinyan	—	—	—	—	—
Wang Shaogang	—	—	—	—	—

8. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 December 2010, none of the five highest paid individuals were directors of Ruixinda Gannan. During the nine months ended 30 September 2010 and 2011, none of the five highest paid individuals were directors of Ruixinda Gannan.

Details of the remuneration of the non-director, highest paid individuals for the Relevant Periods are as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	277	208	412
Performance related bonuses	—	—	102
Pension scheme contributions	14	11	11
	291	219	525

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	Number of employees	Number of employees (Unaudited)	Number of employees
Nil to HK$1,000,000	5	5	5

9. INCOME TAX

According to the prevailing tax rules and regulations, Ruixinda Gannan is operating in agricultural business and is exempted from enterprise income tax.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010, net of accumulated depreciation	226,902	102	5,741	59	2,178	4,218	239,200
Additions	—	24	5,917	1,365	581	12,702	20,589
Transfers	8,735	—	—	—	—	(8,735)	—
Depreciation provided for the year	(6,833)	(23)	(607)	(312)	(134)	—	(7,909)
At 31 December 2010 and 1 January 2011, net of accumulated depreciation	228,804	103	11,051	1,112	2,625	8,185	251,880
Additions	—	11	4,512	75	730	18,738	24,066
Depreciation provided for the period	(5,321)	(20)	(772)	(194)	(268)	—	(6,575)
Disposals/write-off	—	—	—	—	(68)	—	(68)
At 30 September 2011, net of accumulated depreciation	223,483	94	14,791	993	3,019	26,923	269,303
At 1 January 2010:							
Cost	227,754	118	6,181	67	2,451	4,218	240,789
Accumulated depreciation	(852)	(16)	(440)	(8)	(273)	—	(1,589)
Net carrying amount	226,902	102	5,741	59	2,178	4,218	239,200
At 31 December 2010 and 1 January 2011:							
Cost	236,489	142	12,098	1,432	3,032	8,185	261,378
Accumulated depreciation	(7,685)	(39)	(1,047)	(320)	(407)	—	(9,498)
Net carrying amount	228,804	103	11,051	1,112	2,625	8,185	251,880
At 30 September 2011:							
Cost	236,489	153	16,610	1,507	3,694	26,923	285,376
Accumulated depreciation	(13,006)	(59)	(1,819)	(514)	(675)	—	(16,073)
Net carrying amount	223,483	94	14,791	993	3,019	26,923	269,303

At 30 September 2011, certain of Ruixinda Gannan's buildings and plants with a net carrying amount of approximately RMB178,313,000 were pledged to secure the acquisition of Ruixinda Gannan from Feihe Dairy HLJ by Ruixinda.

At 31 December 2010 and 30 September 2011, all the Ruixinda Gannan's buildings located in the PRC did not have building ownership certificates. The Directors have sought for PRC legal advice and have confirmed that the Group is eligible to use the buildings though the formal title of these buildings will not be granted to Ruixinda Gannan.

12. PREPAID LAND LEASE PAYMENTS

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Carrying amount at beginning of the year/period	75,360	73,790
recognized during the year/period	(1,570)	(1,178)
Carrying amount at end of the year/period	73,790	72,612
Current portion included in prepayments and other receivables	(1,570)	(1,570)
Non-current portion	72,220	71,042

The leasehold lands are situated in the PRC and are held under medium term leases.

At 31 December 2010 and 30 September 2011, all Ruixinda Gannan's leasehold lands located in the PRC did not have land use right certificates as all are agricultural facilities lands. The directors of Ruixinda Gannan have sought for PRC legal advice and have confirmed that Ruixinda Gannan is eligible to use the lands though the formal titles to these lands will not be granted to Ruixinda Gannan.

13. BIOLOGICAL ASSETS

A — Nature of Activities

Dairy cows owned by Ruixinda Gannan are held to produce milk.

The quantity of dairy cows owned by Ruixinda Gannan at 31 December 2010 and 30 September 2011 is shown below. Ruixinda Gannan's dairy cows are primarily milkable cows held for milk production. Heifers and calves held at 31 December 2010 and 30 September 2011 are dairy cows that have not had their first calves.

	31 December 2010	30 September 2011
	heads	heads
Dairy cows		
Milkable cows	1,943	4,527
Heifers and calves	4,874	3,178
Total dairy cows	6,817	7,705

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	Kilograms'000	Kilograms'000 (Unaudited)	Kilograms'000
Volume of sales of milk produced	13,965	10,471	23,292

Ruixinda Gannan is exposed to fair value risks arising from changes in price of dairy products. Ruixinda Gannan does not anticipate that the price of dairy products will decline significantly in the foreseeable future and the directors of Ruixinda Gannan are of the view that there is no available derivative or other contracts which Ruixinda Gannan can enter into to manage the risk of a decline in the price of dairy products.

In general, heifers are inseminated with semen when they reached the age of approximately 13 months. After approximately nine months following a successful insemination, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 to 340 days before an approximately 55 days' resting period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the estimated fair value on the date of transfer. The sale of dairy cows is not one of Ruixinda Gannan's principal activities and the proceeds are not included as revenue.

Ruixinda Gannan is exposed to a number of risks related to its biological assets. In addition to the financial risk disclosed in Note 26, Ruixinda Gannan is exposed to the following operation risks:

(i) *Regulatory and environment risks*

Ruixinda Gannan is subject to laws and regulations in the location in which it operates breeding. Ruixinda Gannan 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*

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

B — Value of Dairy Cows

The value of dairy cows at the end of each of the Relevant Periods was:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Dairy cows	169,764	194,488

	Heifers and calves	Milkable cows	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2010	63,844	48,214	112,058
Increase due to purchases	68,495	—	68,495
Increase due to raising (feeding costs and others)	35,093	—	35,093
Transfer in/(out)	(44,841)	44,841	—
Decrease due to sales	(3,782)	(6,154)	(9,936)
Loss arising from changes in fair value less costs to sell	(549)	(35,397)	(35,946)
Balance as at 31 December 2010 and 1 January 2011	118,260	51,504	169,764
Increase due to purchases	75	—	75
Increase due to raising (feeding costs and others)	21,774	—	21,774
Transfer in/(out)	(84,862)	84,862	—
Decrease due to sales	(517)	(1,953)	(2,470)
Gain/(loss) arising from changes in fair value less costs to sell	10,235	(4,890)	5,345
Balance as at 30 September 2011	64,965	129,523	194,488

Ruixinda Gannan's dairy cows in the PRC were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), a firm of independent qualified professional valuer not connected with Ruixinda Gannan, who has appropriate qualifications and recent experiences in the valuation of biological assets. The fair value less costs to sell of the heifers and calves are determined with reference to the market prices of items with similar age, breed and genetic merit, if the market prices are available. There is no active market for heifers and calves in PRC market. An arm's length negotiation price in PRC might deviate from overseas market price because of transportation costs, administration costs and other factors. Due to the fact that the market prices of milkable cows are not available, JLL has applied the net present value approach to calculate the fair value less costs to sell of these items.

The principal valuation assumptions adopted in applying the net present value approach are as follows:

- The quantities of the existing dairy cows at the end of each of the Relevant Periods will reduce at a certain culling rate due to natural or unnatural factors.

- The culling rates adopted are 10%, 13%, 15%, 23%, 35% and 100% for milkable cows in the first to sixth lactation cycles. These rates are based on historical breeding data of Ruixinda Gannan and its future operating plans.

- The average milk yield during the projected period of six lactation cycles, which is the estimated amount of milk producible by a cow.

- The expected average prices of milk during the projected period of six lactation cycles, which is the estimated production period of a dairy cow, are estimated after taking into account, certain percentage of growth for each projected year after considering future demand and inflation in the PRC.

- The cash flows for financing the assets and taxation are not included as required by IAS 41 Agriculture.

- Costs are average costs based on historical cost information.

- The discount rate used is 14% as at 30 September 2011.

The principal valuation assumption adopted in measuring fair value of heifers and calves are as follows.

- The valuation of fair value of biological assets has taken into consideration of the transportation cost following IFRS 13 "Fair value measurement". Because of the import and export control of livestock in the Mainland China, the directors are of the view that Mainland China is the principal market in determining the fair value. The transportation costs for importing heifers and calves included in the market price estimated by the management of the Company amounted to RMB14,149,000 and RMB9,534,000, as at 31 December 2010 and the period ended 30 September 2011, respectively.

The aggregate gains or losses arising during the year ended 31 December 2010 and the period ended 30 September 2011 on initial recognition of dairy cows and milk and from the change in fair value less costs to sell of dairy cows are analysed as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of milk/fair value of milk produced less costs to sell	50,658	37,155	90,551
Gain/(loss) arising from changes in fair value less costs to sell of dairy cows	(64,833)	(47,892)	5,345
	(14,175)	(10,737)	95,896

C — Fair value hierarchy

Ruixinda Gannan uses the following hierarchy for determining and disclosing the fair values of biological assets:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010	—	—	169,764	169,764
As at 30 September 2011	—	—	194,488	194,488

D — Sensitivity analysis

Feeding costs sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in feeding costs, with all other variables held constant, of Ruixinda Gannan's profit or loss before tax (through the impact on changes in the feeding costs).

	Increase/(decrease) in profit before tax	
	31 December 2010	30 September 2011
	RMB'000	RMB'000
Increase in feeding costs of 10%	(3,232)	(4,849)
Decrease in feeding costs of 10%	3,232	4,849

Milk price sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in milk price, with all other variables held constant, of Ruixinda Gannan's profit or loss before tax (through the impact on changes in the milk price).

	Increase/(decrease) in profit before tax	
	31 December 2010	30 September 2011
	RMB'000	RMB'000
Increase in milk price of 10%	(5,112)	(8,220)
Decrease in milk price of 10%	5,112	8,220

14. INVENTORIES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Feeds	23,716	13,787
Others	2,351	1,822
	26,067	15,609

15. TRADE RECEIVABLES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Trade receivables	7,101	16,213
Impairment	—	—
	7,101	16,213

Ruixinda Gannan's trading terms with its customers are mainly on credit. The credit period is generally one month. Ruixinda Gannan seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that Ruixinda Gannan's trade receivables relate to a few number of customers, there is no significant concentration of credit risk as disclosed in note 26 to Ruixinda Gannan Pre-acquisition Financial Information. Ruixinda Gannan does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Within one month	7,101	16,213

No impairment of trade receivables for each of the Relevant Period is provided.

At the end of each of the Relevant Periods, the aged analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Neither past due nor impaired	7,101	16,213

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

Receivables that were past due but not impaired relate to customers that have a good track record with Ruixinda Gannan. Based on past experience, the directors of Ruixinda Gannan are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

16. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Prepayments	26,474	27,300
Other receivables	3	181
	26,477	27,481
Non-current portion	(26,467)	(26,362)
Current portion	10	1,119

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. CASH AND CASH EQUIVALENTS

At 31 December 2010 and 30 September 2011, all Ruixinda Gannan's cash and bank balances denominated in RMB amounted to RMB3,813,000 and RMB472,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Ruixinda Gannan is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Within 2 months	24,252	16,102
2 to 6 months	3,238	4,228
6 to 12 months	5,256	3,675
Over 12 months	100	—
	32,846	24,005

Trade payables are non-interest-bearing and are normally settled on two to six months' terms.

19. OTHER PAYABLES AND ACCRUALS

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Deferred income	1,402	1,335
Other payables	520,482	533,812
Accruals	4	—
	521,888	535,147
Non-current portion	—	(144,134)
Current portion	521,888	391,013

Included in Ruixinda Gannan's other payable and accruals are amount due to Feihe Dairy HLJ, Ruixinda Gannan's holding company, of RMB279,968,000 (2010: RMB423,273,000), which are repayable on similar credit terms to those granted by the major suppliers of Ruixinda Gannan.

20. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount due to a fellow subsidiary was unsecured, interest-free and has no fixed terms of repayment.

21. PAID-IN CAPITAL

	RMB'000
Authorised, registered and fully paid:	
At 1 January 2010, 31 December 2010 and 30 September 2011	38,000

22. RESERVES

The amounts of Ruixinda Gannan's reserves and movements therein for each of the Relevant Periods are presented in the statements of changes in equity in Section I(c) of the Ruixinda Gannan Pre-acquisition Financial Information.

23. COMMITMENTS

Ruixinda Gannan had the following commitments at the end of each of the Relevant Periods:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Contracted but not provided for:		
Construction in progress — buildings	6,489	2,263
Property and equipment	—	2,501
Total	6,489	4,764

24. FINANCIAL INSTRUMENTS BY CATEGORY

As at the end of each of the Relevant Periods, all the financial assets and liabilities of Ruixinda Gannan were loans and receivables and financial liabilities at amortised cost, respectively.

25. FAIR VALUE

The carrying amounts and fair values of Ruixinda Gannan's financial instruments are as follows:

	Carrying amounts		Fair values	
	31 December 2010	30 September 2011	31 December 2010	30 September 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Deposits for property, plant and equipment and biological assets	26,467	26,362	26,467	26,362
Trade receivables	7,101	16,213	7,101	16,213
Financial assets included in prepayments, and other receivables	10	1,119	10	1,119
Prepaid land lease payments	1,570	1,570	1,570	1,570
Cash and cash equivalents	3,813	472	3,813	472
	38,961	45,736	38,961	45,736

	Carrying amounts		Fair values	
	31 December 2010	30 September 2011	31 December 2010	30 September 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade payables	32,846	24,005	32,846	24,005
Financial liabilities included in other payables and accruals	520,486	533,812	520,486	533,812
Amount due to a fellow subsidiary	4,500	4,500	4,500	4,500
	557,832	562,317	557,832	562,317

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Ruixinda Gannan's principal financial instruments comprise cash and cash equivalents. Ruixinda Gannan has various other financial assets and liabilities such as trade receivables, other receivables, trade payables, other payables and accruals and balance with a fellow subsidiary.

The main risks arising from Ruixinda Gannan's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Ruixinda Gannan only has bank and other borrowings with fixed interest rate and thus, the directors believe Ruixinda Gannan's exposure to interest rate risk is minimal.

Credit risk

Credit risk of Ruixinda Gannan's other financial assets, which comprise cash and bank balances and other receivables arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since Ruixinda Gannan trades only with recognized and creditworthy third parties, there is no requirement for collateral.

At the end of each of the Relevant Periods, Ruixinda Gannan had certain concentration of credit risk as 44% and 27% of Ruixinda Gannan's trade receivables for the year ended 31 December 2010 and period ended 30 September 2011 were due from Ruixinda Gannan's largest customer, respectively. Concentrations of credit risk are managed by establishing credit verification procedures. Management determines there are minimal concentrations of credit risk within Ruixinda Gannan as the customer of Ruixinda Gannan's trade receivables are recognized and creditworthy.

Further quantitative data in respect of Ruixinda Gannan's exposure to credit risk arising from trade receivables are disclosed in note 15 to the Ruixinda Gannan Pre-acquisition Financial Information.

Liquidity risk

Ruixinda Gannan's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity principle of Ruixinda Gannan's financial liabilities as at the Relevant Period, based on the contractual undiscounted payments is as follows:

	On demand or less than 12 months	Over 1 year	Over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010				
Trade payables	32,846	—	—	32,846
Other payables and accruals	521,888	—	—	521,888
Amount due to a fellow subsidiary	4,500	—	—	4,500
	559,234	—	—	559,234
As at 30 September 2011				
Trade payables	24,005	—	—	24,005
Other payables and accruals	391,013	144,134	—	535,147
Amount due to a fellow subsidiary	4,500	—	—	4,500
	419,518	144,134	—	563,652

Capital management

The primary objectives of Ruixinda Gannan's capital management are to safeguard its ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Ruixinda Gannan manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Ruixinda Gannan may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year ended 31 December 2010, and the period ended 30 September 2011.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

14 November 2013

The Directors
Heilongjiang Kedong Heping YuanShengTai Dairy Farming Co., Ltd.
China Securities (International) Corporate Finance Company Limited
Credit Suisse (Hong Kong) Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the pre-acquisition financial information relating to Heilongjiang Kedong Heping YuanShengTai Dairy Farming Co., Ltd. ("YST Heping") for the year ended 31 December 2010 and the nine-month period ended 30 September 2011 (the "Relevant Periods") (the "YST Heping Pre-acquisition Financial Information"), and statement of comprehensive income, statement of changes in equity and statement of cash flows of YST Heping for the nine-month period ended 30 September 2010 (the "Interim Comparative Information") for inclusion in the prospectus of YuanShengTai Dairy Farm Limited (the "Company") dated 14 November 2013 in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

YST Heping was established in the People's Republic of China (the "PRC") on 3 July 2007 as a private limited company. Pursuant to an acquisition agreement dated 1 August 2011 entered into between Heilongjiang Feihe Dairy Co., Ltd. ("Feihe Dairy HLJ") and Harbin Ruixinda Dairy Farming Co., Ltd. ("Ruixinda"), Ruixinda will agree to acquire YST Heping at a consideration of RMB380,401,000 (the "Acquisition").

The statutory financial year end date of YST Heping is 31 December. Statutory financial statement for YST Heping had been prepared for the year ended 31 December 2010, which have been audited by 黑龍江安聯會計師事務所有限公司北安分所, certified public accountants registered in the PRC.

For the purpose of this report, the directors of YST Heping have prepared the financial statements of YST Heping for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA").

The YST Heping Pre-acquisition Financial Information as set out in this report has been prepared from the Underlying Financial Statements without adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the YST Heping Pre-acquisition Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the YST Heping Pre-acquisition Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the YST Heping Pre-acquisition Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the YST Heping Pre-acquisition Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the YST Heping Pre-acquisition Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE YST HEPING PRE-ACQUISITION FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2.1 of Section II below, the YST Heping Pre-acquisition Financial Information gives a true and fair view of the state of affairs of YST Heping as at 31 December 2010 and 30 September 2011, and of the results and cash flows of YST Heping for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the YST Heping Pre-acquisition Financial Information.

I. FINANCIAL INFORMATION

(a) Statements of Comprehensive Income

	Notes	Year ended 31 December 2010	Nine months ended 30 September 2010	Nine months ended 30 September 2011
		RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5	141,489	93,635	163,967
Cost of sales		(94,119)	(61,067)	(105,782)
Gross profit		47,370	32,568	58,185
Other income	5	766	615	1,150
Selling and distribution expenses		(891)	(596)	(4,242)
Administrative expenses		(4,822)	(3,707)	(4,771)
Finance costs	6	(5,756)	(5,361)	(5,244)
Changes in fair value less costs to sell of biological assets		(2,826)	2,652	50,839
PROFIT BEFORE TAX	7	33,841	26,171	95,917
Income tax expense	10	—	—	—
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		33,841	26,171	95,917

(b) Statements of Financial Position

	Notes	31 December 2010	30 September 2011
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	192,898	197,468
Prepaid land lease payments	*13*	20,123	19,753
Deposits for property, plant and equipment	*17*	82,131	68,005
Biological assets	*14*	227,347	309,258
Total non-current assets		522,499	594,484
CURRENT ASSETS			
Inventories	*15*	32,886	12,372
Trade receivables	*16*	2,250	25,094
Prepayments and other receivables	*17*	64,838	36,824
Prepaid land lease payments	*13*	492	492
Amounts due from fellow subsidiaries	*22*	4,500	33,822
Cash and cash equivalents	*18*	5,087	3,868
Total current assets		110,053	112,472
CURRENT LIABILITIES			
Trade payables	*19*	32,030	24,230
Other payables	*20*	320,224	258,068
Interest-bearing bank borrowings	*21*	69,516	17,258
Total current liabilities		421,770	299,556
NET CURRENT LIABILITIES		(311,717)	(187,084)
TOTAL ASSETS LESS CURRENT LIABILITIES		210,782	407,400
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*21*	103,550	103,550
Other payables	*20*	—	100,701
Total non-current liabilities		103,550	204,251
Net assets		107,232	203,149
EQUITY			
Paid-in capital	*23*	76,520	76,520
Reserves	*24*	30,712	126,629
Total equity		107,232	203,149

(c) Statements of Changes in Equity

	Paid-in capital	(Accumulated losses)/ retained profits	Total equity
	RMB'000	RMB'000	RMB'000
At 1 January 2010	76,520	(3,129)	73,391
Profit for the year and total comprehensive income for the year	—	33,841	33,841
At 31 December 2010 and 1 January 2011	76,520	30,712	107,232
Profit for the period and total comprehensive income for the period	—	95,917	95,917
At 30 September 2011	76,520	126,629	203,149

(d) Statements of Cash Flows

	Notes	Year ended 31 December 2010	Nine months ended 30 September 2010	Nine months ended 30 September 2011
		RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		33,841	26,171	95,917
Adjustments for:				
Finance costs	*6*	5,756	5,361	5,244
Interest income	*5*	(31)	(21)	(34)
Depreciation	*12*	6,707	5,078	5,478
Recognition of prepaid land lease payments	*13*	442	217	370
Changes in fair value less costs to sell of biological assets	*14*	2,826	(2,652)	(50,839)
		49,541	34,154	56,136
Decrease in inventories		7,164	3,865	20,514
Decrease/(increase) in trade receivables		(2,227)	23	(22,844)
Decrease/(increase) in prepayments and other receivables		(60,931)	(7,542)	28,014
Decrease in trade payables		(2,657)	(5,807)	(7,800)
Decrease in amounts due from fellow subsidiaries		—	—	(29,322)
Increase in other payables		87,014	43,422	38,545
Cash generated from operations		77,904	68,115	83,243
Interest received		31	21	34
Interest paid		(5,756)	(5,361)	(5,244)
Net cash flows from operating activities		72,179	62,775	78,033
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(17,362)	(5,885)	(10,782)
Additions to biological assets		(48,220)	(37,438)	(35,697)
Decrease/(increase) in deposits for property, plant and equipment		(24,470)	(25,364)	14,126
Proceeds from disposal of biological assets		22,244	4,204	4,625
Proceeds from disposal of items of property, plant and equipment		2,373	2,373	734
Increase in land use rights		(676)	—	—
Net cash flows used in investing activities		(66,111)	(62,110)	(26,994)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from new bank loans		35,000	25,000	—
Repayment of interest-bearing bank borrowings		(41,934)	(25,800)	(52,258)
Net cash flows used in financing activities		(6,934)	(800)	(52,258)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(866)	(135)	(1,219)
Cash and cash equivalents at beginning of year/period		5,953	5,953	5,087
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		5,087	5,818	3,868

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

YST Heping is a limited liability company established in the People's Republic of China (the "PRC") and its registered office is located at Qing-Xiang Street, Kedong, Heilongjiang.

The principal activity of YST Heping is the production and sale of raw milk. Pursuant to a share transfer agreement dated 1 August 2011 entered into between Ruixinda and Feihe Dairy HLJ, Ruixinda agreed to acquire YST Heping at a consideration of RMB380,401,000 (the "Acquisition").

In the opinion of the Directors, after the Acquisition, Ruixinda is the immediate holding company of YST Heping and its ultimate holding company is YuanShengTai Dairy Farm limited.

The YST Heping Pre-acquisition Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which YST Heping operates (its functional currency).

2.1 BASIS OF PREPARATION

The YST Heping Pre-acquisition Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for accounting periods commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the reporting entity in the preparation of the YST Heping Pre-acquisition Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information. They have been prepared under the historical cost convention, except for biological assets, which have been measured at fair values. YST Heping Pre-acquisition Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

YST Heping has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	Financial Instruments[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — Investment Entities[1]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-financial Assets[1]
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 January 2015

YST Heping is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on YST Heping's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, biological assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the reporting entity if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the reporting entity 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 reporting entity or an entity related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the reporting entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%
Leasehold improvements	Over the shorter of the lease terms and 18%
Furniture and fixtures	18%
Plant and machinery	6–7%
Motor vehicles	11–12%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Biological assets

Dairy cows

Dairy cows, including milkable cows, heifers and calves are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with any resultant gain or loss recognized in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes. The fair value of dairy cows is determined based on its present location and condition and is determined independently by professional valuers.

The feeding costs and other related costs including the depreciation charge, utility costs and consumables incurred for the raising of heifers and calves are capitalised, until such time as the heifers and calves begin to produce milk.

Agricultural produce

Milk

Agricultural produce represents milk. Milk is recognized at the point of harvest at its fair value less costs to sell. The fair value of milk is determined based on market prices in the local area. The costs to sell are the incremental costs directly attributable to the sales of milk, mainly transportation costs, excluding finance costs and income tax.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the reporting entity is the lessor, assets leased by the reporting entity under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the reporting entity is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The reporting entity determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the reporting entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in administrative expenses in receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the reporting entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the reporting entity has transferred substantially all the risks and rewards of the asset, or (b) the reporting entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the reporting entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the reporting entity's continuing involvement in the asset. In that case, the reporting entity also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the reporting entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the reporting entity could be required to repay.

Impairment of financial assets

The reporting entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the reporting entity first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the reporting entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the reporting entity.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are loans and borrowings. The reporting entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The reporting entity's financial liabilities include trade payables, other payables and interest-bearing bank borrowings.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the reporting entity's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the reporting entity operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses, Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the reporting entity and when the revenue can be measured reliably, on the following bases:

(a) from the sale of milk, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the reporting entity maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

The employees of the reporting entity which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The reporting entity is required to contribute 1% to 20% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Fair value measures

Fair value would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

— In the principal market for the asset or liability, or

— In the absence of a principal market, in the most advantageous market for the asset or liability The principal or the most advantageous market must be accessible to by YST Heping. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. YST Heping uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of YST Heping's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainly at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair values of dairy cows

The reporting entity's dairy cows are valued at fair value less costs to sell. The fair value of dairy cows is determined based on either the market-determined prices as at the end of each of the Relevant Periods adjusted with reference to the age and cost to reflect differences in characteristic and/or stages of growth of dairy cows; or the present value of expected net cash flows from the dairy cows discounted at a current market rate, when market prices are unavailable. Any changes in the estimates may affect the

fair value of the dairy cows significantly. The independent qualified professional valuers and management review the assumptions and estimates periodically to identify any significant change in fair value of dairy cows. Further details are given in note 14 to the YST Heping Pre-acquisition Financial Information.

4. OPERATING SEGMENT INFORMATION

YST Heping is principally engaged in the production and sale of raw milk. Information reported to YST Heping's management for the purpose of resources allocation and performance assessment, focuses on the operating results of YST Heping as a whole as YST Heping's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

YST Heping's revenue from external customers is derived solely from its operations in the PRC, and no assets of YST Heping are located outside the PRC.

All external sales of milk produced of YST Heping during the Relevant Periods are contributable to customers established in the PRC, the place of domicile of YST Heping.

During the Relevant Periods, YST Heping made sales to customers, which individually contributed to more than 10% of YST Heping's total revenue for that year/period. The analysis for each of the Relevant Periods is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	N/A	N/A	94,941
Customer B	N/A	N/A	38,303
Customer C	134,735	89,974	24,007
Others	6,754	3,661	6,716
	141,489	93,635	163,967

5. REVENUE AND OTHER INCOME

Revenue, which is also YST Heping's turnover, represents the net invoiced value of raw milk sold.

Sales of raw milk produced represented mainly the fair value of milk produced less costs to sell at the point of harvest.

An analysis of revenue and other income is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue			
Sales of raw milk	141,489	93,635	163,967
Other income			
Bank interest income	31	21	34
Government subsidies*	—	—	283
Sales of male calves	695	566	787
Others	40	28	46
	766	615	1,150

* *The amount received represented subsidies received from the relevant authorities in the PRC for YST Heping's operation of construction and purchase of cattle.*

6. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on secured bank borrowings wholly repayable within five years	5,756	5,361	5,244

7. PROFIT BEFORE TAX

YST Heping's profit before tax from operations is arrived at after charging/(crediting):

	Notes	Year ended 31 December	Nine months ended 30 September	
		2010	2010	2011
		RMB'000	RMB'000 (Unaudited)	RMB'000
Breeding costs to produce		77,705	50,492	82,646
Production costs for raw milk		16,414	10,575	23,136
Cost of sales		94,119	61,067	105,782
Depreciation	*12*	6,707	5,078	5,478
Recognition of prepaid land lease payments	*13*	442	370	370
Auditors' remuneration		15	15	17
Changes in fair value less costs to sell of biological assets	*14*	2,826	(2,652)	(50,839)
Employee benefit expenses (including directors' remuneration *(note 8)*):				
Wages and salaries		2,770	1,858	5,765
Pension scheme contributions		254	188	475
		3,024	2,046	6,240

8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	—	—	—
Pension scheme contributions	—	—	—
	—	—	—

Executive directors

The remuneration of the executive directors for each of the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010					
Executive director:					
Ma Jinyan	—	—	—	—	—
Period ended 30 September 2010 (unaudited)					
Executive director:					
Ma Jinyan	—	—	—	—	—
Period ended 30 September 2011					
Executive director:					
Wang Shaogang	—	151	—	—	151

9. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 December 2010, none of the five highest paid individuals were directors of YST Heping. During the nine months ended 30 September 2011, one (30 September 2010: Nil) of the five highest paid individuals was a director of YST Heping.

Details of the remuneration of the remaining non-director, highest paid individuals for the Relevant Periods are as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	586	439	673
Performance related bonuses	—	—	124
Pension scheme contributions	6	5	9
	592	444	806

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	Number of employees	Number of employees (Unaudited)	Number of employees
Nil to HK$1,000,000	5	5	4

10. INCOME TAX

According to the prevailing tax rules and regulation, YST Heping is operating in agricultural business and is exempted from enterprise income tax.

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010, net of accumulated depreciation	164,328	247	17,720	125	2,196	—	184,616
Additions	—	80	6,354	1,796	799	8,333	17,362
Depreciation provided for the year	(4,841)	(59)	(1,220)	(265)	(322)	—	(6,707)
Disposals/write-off	(2,103)	—	(270)	—	—	—	(2,373)
At 31 December 2010 and 1 January 2011, net of accumulated depreciation	157,384	268	22,584	1,656	2,673	8,333	192,898
Additions	—	38	963	17	307	9,457	10,782
Depreciation provided for the period	(3,686)	(55)	(1,199)	(263)	(275)	—	(5,478)
Disposals/write-off	—	—	(734)	—	—	—	(734)
At 30 September 2011, net of accumulated depreciation	153,698	251	21,614	1,410	2,705	17,790	197,468
At 1 January 2010:							
Cost	165,926	299	18,174	147	2,458	—	187,004
Accumulated depreciation	(1,598)	(52)	(454)	(22)	(262)	—	(2,388)
Net carrying amount	164,328	247	17,720	125	2,196	—	184,616
At 31 December 2010 and 1 January 2011:							
Cost	163,822	378	24,258	1,943	3,258	8,333	201,992
Accumulated depreciation	(6,438)	(110)	(1,674)	(287)	(585)	—	(9,094)
Net carrying amount	157,384	268	22,584	1,656	2,673	8,333	192,898
At 30 September 2011:							
Cost	163,822	416	24,487	1,960	3,565	17,790	212,040
Accumulated depreciation	(10,124)	(165)	(2,873)	(550)	(860)	—	(14,572)
Net carrying amount	153,698	251	21,614	1,410	2,705	17,790	197,468

At 30 September 2011, certain of YST Heping's buildings and plants with a net carrying amount of approximately RMB123,795,000 were pledged to secure the acquisition of YST Heping from Feihe Dairy HLJ by Ruixinda.

At 31 December 2010 and 30 September 2011, all the YST Heping's buildings located in the PRC did not have building ownership certificates. The Directors have sought for PRC legal advice and have confirmed that the YST Heping is eligible to use the buildings though the formal title of these buildings will not be granted to YST Heping.

13. PREPAID LAND LEASE PAYMENTS

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Carrying amount at beginning of the year/period	20,381	20,615
Additions	676	—
recognized during the year/period	(442)	(370)
Carrying amount at end of the year/period	20,615	20,245
Current portion included in prepayments and other receivables	(492)	(492)
Non-current portion	20,123	19,753

The leasehold lands are situated in the PRC and are held under medium term leases.

At 31 December 2010 and 30 September 2011, all YST Heping's leasehold lands located in the PRC did not have land use right certificates as all are agricultural facilities lands. The directors of YST Heping have sought for PRC legal advice and have confirmed that YST Heping is eligible to use the lands though the formal titles to these lands will not be granted to YST Heping.

14. BIOLOGICAL ASSETS

A — Nature of Activities

Dairy cows owned by YST Heping are held to produce milk.

The quantity of dairy cows owned by YST Heping at 31 December 2010 and 30 September 2011 is shown below. YST Heping's dairy cows are primarily milkable cows held for milk production. Heifers and calves held at 31 December 2010 and 30 September 2011 are dairy cows that have not had their first calves.

	31 December 2010	30 September 2011
	heads	heads
Dairy cows		
Milkable cows	5,970	6,355
Heifers and calves	4,379	5,643
Total dairy cows	10,349	11,998

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	Kilograms'000	Kilograms'000 (Unaudited)	Kilograms'000
Volume of sales of milk produced	37,463	24,729	40,199

YST Heping is exposed to fair value risks arising from changes in the price of dairy products. YST Heping does not anticipate that the price of dairy products will decline significantly in the foreseeable future and the Directors of YST Heping are of the view that there is no available derivative or other contracts which YST Heping can enter into to manage the risk of a decline in the price of dairy products.

In general, heifers are inseminated when they reached the age of approximately 13 months. After approximately nine months following a successful insemination, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 to 340 days before an approximately 55 days' resting period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the cost on the date of transfer. The sale of dairy cows is not one of YST Heping's principal activities and the proceeds are not included as revenue. The sales of dairy cows are determined based on the actual selling price.

B — Value of Dairy Cows

The value of dairy cows at the end of each of the Relevant Periods was:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Dairy cows	227,347	309,258

	Heifers and calves	Milkable cows	Total
Balance as at 1 January 2010	148,808	55,389	204,197
Increase due to purchases	—	—	—
Increase due to raising (feeding costs and others)	48,220	—	48,220
Transfer in/(out)	(128,886)	128,886	—
Decrease due to sales	(14,124)	(8,120)	(22,244)
Gain/(loss) arising from changes in fair value less costs to sell	14,772	(17,598)	(2,826)
Balance as at 31 December 2010 and 1 January 2011	68,790	158,557	227,347
Increase due to purchases	7,574	—	7,574
Increase due to raising (feeding costs and others)	28,123	—	28,123
Transfer in/(out)	(26,806)	26,806	—
Decrease due to sales	(691)	(3,934)	(4,625)
Gain arising from changes in fair value less costs to sell	29,520	21,319	50,839
Balance as at 30 September 2011	106,510	202,748	309,258

YST Heping's dairy cows in the PRC were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), a firm of independent qualified professional valuer not connected with YST Heping, who have appropriate qualifications and recent experiences in the valuation of biological assets. The fair value less costs to sell of the heifers and calves are determined with reference to the market prices of items with similar age, breed and genetic merit, if the market prices are available. There is no active market for heifers and calves in PRC market. An arm's length negotiation price in PRC might deviate from overseas market price because of transportation costs, administration costs and other factors. Due to the fact that the market prices of milkable cows are not available, JLL has applied the net present value approach to calculate the fair value less costs to sell of these items.

The principal valuation assumptions adopted in applying the net present value approach are as follows:

- The quantities of the existing dairy cows at the end of each of the Relevant Periods will reduce at a certain culling rate due to natural or unnatural factors.
- The culling rates adopted are 10%, 13%, 15%, 23%, 35% and 100% for milkable cows in the first to sixth lactation cycles. These rates are based on the historical breeding data of YST Heping and its future operating plans.
- The average milk yield during the projected period of six lactation cycles, which is the estimated amount of milk producible by a cow.
- The expected average prices of milk during the projected period of six lactation years, which is the estimated production period of a dairy cow, are estimated after taking into account, certain percentage of growth for each projected year after considering the future demand and inflation in the PRC.
- The cash flows for financing the assets and taxation are not included as required by IAS 41 Agriculture.
- Costs are average costs based on historical cost information.
- The discount rate used was 14% as at 30 September 2011.

The principal valuation assumption adopted in measuring fair value of heifers and calves are as follows.

- The valuation of fair value of biological assets has taken into consideration cost following IFRS 13 "fair value measurement". Because of the import and export control of livestock in the Mainland China, the directors are of the view that Mainland China is the principal market in determining the fair value. The transportation costs for importing heifers and calves included in the market price estimated by the management of the Company amounted to RMB12,712,000 and RMB16,929,000, as at 31 December 2010 and the period ended 30 September 2011, respectively.

As at 31 December 2010 and 30 September 2011, YST Heping has pledged a certain number of dairy cows to banks to secure the general banking facilities granted to YST Heping (note 21).

The aggregate gains or losses arising during the year ended 31 December 2010 and the period ended 30 September 2011 on initial recognition of dairy cows and milk and from the change in fair value less costs to sell of dairy cows are analyzed as follows:

	Year ended 31 December	Nine months ended 30 September	
	2010	2010	2011
	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of milk/fair value of milk produced less costs to sell	140,598	93,039	159,725
Gain/(loss) arising from changes in fair value less costs to sell of dairy cows	(2,826)	2,652	50,839
	137,772	95,691	210,564

C — Fair value hierarchy

YST Heping uses the following hierarchy for determining and disclosing the fair values of biological assets:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010	—	—	227,347	227,347
As at 30 September 2011	—	—	309,258	309,258

D — Sensitivity analysis

Feeding costs sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in feeding costs, with all other variables held constant, of YST Heping's profit before tax (through the impact on changes in the feeding costs).

	Increase/(decrease) in profit before tax	
	31 December 2010	30 September 2011
	RMB'000	RMB'000
Increase in feeding costs of 10%	(7,771)	(8,359)
Decrease in feeding costs of 10%	7,771	8,359

Milk price sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in milk price, with all other variables held constant, of YST Heping's profit before tax (through the impact on changes in the milk price).

	Increase/(decrease) in profit before tax	
	31 December 2010	30 September 2011
	RMB'000	RMB'000
Increase in milk price of 10%	(14,149)	(16,397)
Decrease in milk price of 10%	14,149	16,397

15. INVENTORIES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Feeds	30,057	8,806
Others	2,829	3,566
	32,886	12,372

16. TRADE RECEIVABLES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Trade receivables	2,250	25,094
Impairment	—	—
	2,250	25,094

YST Heping's trading terms with its customers are mainly on credit. The credit period is generally one month. YST Heping seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that YST Heping's trade receivables relate to a few number of customers, there is no significant concentration of credit risk as disclosed in note 28 to YST Heping Pre-acquisition Financial Information. YST Heping does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Within one month	2,250	24,094
Over one month and within two months	—	—
Over two months	—	1,000
	2,250	25,094

No impairment of trade receivables for each of the Relevant Periods is provided.

At the end of each of the Relevant Periods, the aged analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Neither past due nor impaired	2,250	24,094
Less than 1 month past due	—	—
1 month to 3 months past due	—	1,000
	2,250	25,094

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

Receivables that were past due but not impaired relate to customers that have a good track record with YST Heping. Based on past experience, the directors of YST Heping are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Prepayments	110,214	98,879
Other receivables	36,755	5,950
	146,969	104,829
Non-current portion	(82,131)	(68,005)
Current portion	64,838	36,824

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS

At 31 December 2010 and 30 September 2011, all YST Heping's cash and bank balances denominated in RMB amounted to RMB5,087,000 and RMB3,868,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, YST Heping is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Within 2 months	21,191	17,300
2 to 6 months	10,611	4,818
6 to 12 months	126	1,681
Over 12 months	102	431
	32,030	24,230

Trade payables are non-interest-bearing and are normally settled on two to six months terms.

20. OTHER PAYABLES

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Deferred income	2,129	2,785
Other payables	318,095	355,984
	320,224	358,769
Non-current portion	—	(100,701)
Current portion	320,224	258,068

Included in YST Heping's other payable and accruals are amount due to Feihe Dairy HLJ, YST Heping's holding company, of RMB236,057,000 (2010: RMB Nil), which are repayable on similar credit terms to those granted by the major suppliers of YST Heping.

21. INTEREST-BEARING BANK BORROWINGS

	As at					
	31 December 2010			30 September 2011		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Secured bank loans	5.3–5.6	2011	35,000	—	—	—
Current portion of long term secured bank loans	5.3–5.6	2011	34,516	5.8–6.6	2012	17,258
			69,516			17,258
Non-current						
Secured bank loans	5.9–6.4	2013–2014	103,550	6.4–7.1	2013–2014	103,550
			173,066			120,808

Notes:

(a) The bank borrowings were secured by the pledge of certain biological assets amounting to RMB136,377,000 in 2010 and RMB158,918,000 for the period ended 30 September 2011.

(b) Directors of YST Heping, namely Ma Jinyan and Wang Shaogang, have guaranteed the bank borrowings up to RMB35,000,000 as at 31 December 2010 and RMB3,000,000 as at 30 September 2011.

22. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries were unsecured, interest-free and have no fixed terms of repayment.

23. PAID-IN CAPITAL

	RMB'000
Authorised, registered and fully paid:	
At 1 January 2010 and 30 September 2011	76,520

24. RESERVES

The amounts of YST Heping's reserves and the movements therein for each of the Relevant Periods are presented in the statements of changes in equity in Section I (c) of the YST Heping Pre-acquisition Financial Information.

25. COMMITMENTS

YST Heping had the following commitments at the end of each of the Relevant Periods:

	31 December 2010	30 September 2011
	RMB'000	RMB'000
Contracted but not provided for:		
Construction in progress — buildings	—	597
Property and equipment	1,517	7,109
Total	1,517	7,706

26. FINANCIAL INSTRUMENTS BY CATEGORY

As at the end of each of the Relevant Periods, all the financial assets and liabilities of YST Heping were loans and receivables and financial liabilities at amortised cost, respectively.

27. FAIR VALUE

The carrying amounts and fair values of YST Heping's financial instruments are as follows:

	Carrying amounts		Fair values	
	31 December 2010	30 September 2011	31 December 2010	30 September 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Deposits for property, plant and equipment and biological assets	82,131	68,005	82,131	68,005
Amounts due from fellow subsidiaries	4,500	33,822	4,500	33,822
Trade receivables	2,250	25,094	2,250	25,094
Financial assets included in prepayments, and other receivables	36,755	5,950	36,755	5,950
Prepaid land lease payments	492	492	492	492
Cash and cash equivalents	5,087	3,868	5,087	3,868
	131,215	137,231	131,215	137,231

	Carrying amounts		Fair values	
	31 December 2010	30 September 2011	31 December 2010	30 September 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade payables	32,030	24,230	32,030	24,230
Financial liabilities included in other payables and accruals	318,095	355,984	318,095	355,984
Interest-bearing bank borrowings	173,066	120,808	173,066	120,808
	523,191	501,022	523,191	501,022

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

YST Heping's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings. YST Heping has various other financial assets and liabilities such as trade receivables, other receivables, trade payables, other payables and balance with a fellow subsidiary.

The main risks arising from YST Heping's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

YST Heping only has bank and other borrowings with fixed interest rate and thus, the directors believe YST Heping's exposure to interest rate risk is minimal.

Credit risk

Credit risk of YST Heping's other financial assets, which comprise cash and bank balances, other receivables and amounts due from fellow subsidiaries, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since YST Heping trades only with recognized and creditworthy third parties, there is no requirement for collateral.

At the end of each of the Relevant Periods, YST Heping had certain concentration of credit risk as 100% and 71% of YST Heping's trade receivables for the year ended 31 December 2010 and the period ended 30 September 2011 were due from YST Heping's largest customer. Concentrations of credit risk are managed by establishing credit verification procedures. Management determines there are minimal concentrations of credit risk within YST Heping as the customers of YST Heping's trade receivables are recognized and creditworthy.

Further quantitative data in respect of YST Heping's exposure to credit risk arising from trade receivables are disclosed in note 16 to the YST Heping Pre-acquisition Financial Information.

Liquidity risk

YST Heping's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and projected cash flows from operation. The maturity principle of YST Heping's financial liabilities as at the Relevant Period, based on the contractual undiscounted payment is as follows:.

	On demand or less than 12 months	Over 1 year	Over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010				
Interest-bearing bank borrowings	78,952	35,983	78,589	193,524
Trade payables	31,928	102	—	32,030
Other payables	320,224	—	—	320,224
	431,104	36,085	78,589	545,778
As at 30 September 2011				
Interest-bearing bank borrowings	24,170	41,499	69,006	134,675
Trade payables	23,799	431	—	24,230
Other payables	258,068	100,701	—	358,769
	306,037	142,631	69,006	517,674

Capital management

The primary objectives of YST Heping's capital management are to safeguard YST Heping's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

YST Heping manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, YST Heping may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year ended 31 December 2010, and the period ended 30 September 2011.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix IA to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountants' Report set out in Appendix IA to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2013. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of our Group.

	Consolidated net tangible assets attributable to the owners of the Company as of 30 June 2013[(1)]	Estimated net proceeds from the Listing[(2)]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[(3)]	Unaudited pro forma adjusted net tangible assets per Share[(4)]
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$2.49 per Share	1,143,130	1,844,491	2,987,621	0.76	0.96
Based on an Offer Price of HK$3.18 per Share	1,143,130	2,362,731	3,505,861	0.90	1.13

Notes:

(1) The consolidated net tangible assets attributable to the owners of the Company as of 30 June 2013 are based on consolidated net assets of our Group attributable to the owners of the Company as of 30 June 2013 of approximately RMB1,143 million as set forth in Appendix IA to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$2.49 and HK$3.18, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the options granted pursuant to the Share Option Scheme. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the PBOC rate of HK$1.00 to RMB0.7966 prevailing on 28 June 2013.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 3,908,747,000 shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Share Option Scheme.

(4) The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of HK$1.00 to RMB0.7966 prevailing on 28 June 2013.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

To the Directors of YuanShengTai Dairy Farm Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of YuanShengTai Dairy Farm Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2013 and related notes as set out in Appendix II to the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2013, on which an accountant's report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Certified Public Accountants
Hong Kong

14 November 2013

Set out below is a summary of certain provisions of the Memorandum of Association and Bye-laws of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Bermuda Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Bermuda Companies Act, the Memorandum of Association of the Company empowers it to purchase its own Shares and, pursuant to its Bye-laws, this power is exercisable by the Directors upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 7 November 2013. The following is a summary of certain provisions of the Bye-laws.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may, subject to the Bermuda Companies Act and with the sanction of a special resolution, be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorized by the Memorandum of Association of the Company, at the option of the holder. The Directors may subject to the approval of the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or relevant statutes of Bermuda to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Save as described in sub-paragraph (vi) below, there are no provisions in the Bye-laws relating to the making of loans or the giving of security for loans to Directors. However, the Bermuda Companies Act contains restrictions on companies making loans and giving security for loans to their directors, the relevant provisions of which are summarized in paragraph 4(l) below.

(v) Financial assistance to purchase shares of the Company or its holding company

(aa) subject to the provisions of all relevant statutes of Bermuda (see paragraph 4(b) below regarding the relevant provisions of the Bermuda Companies Act), the Company may in accordance with an employees' share scheme provide money on such terms as the Directors think fit for the acquisition of fully or partly paid shares in the Company or its holding company. For the purposes of the Bye-law in this regard, an employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of bona fide employees of the Company (including any such bona fide employee or former employee who is or was a Director), the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one (21) of such employees or former employees;

(bb) subject to the provisions of all relevant statutes of Bermuda, the Company may make loans to persons (including Directors) employed or formerly employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and

(cc) the conditions subject to which money and loans may be provided under the provisions of the Bye-laws summarized in paragraphs (aa) or (bb) above may include a provision to the effect that when an employee ceases to be employed by the Company, a subsidiary or holding company of the Company or a subsidiary of the holding company of the Company, the shares acquired with such money or loans shall or may be sold to the Company or any other company on such terms as the Directors think fit.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Subject to the Bermuda Companies Act, a Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Bermuda Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associates' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or any of his associates is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associates is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his associates of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associates have themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associates to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associates any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associates are or are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his associates are interested as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company and/or their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any contract or arrangement concerning any other company in which the Director or his associates are interested directly or indirectly whether as an officer and/or executive and/or a member, other than a company in which the Director or his associates own five percent (5%) or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which their interest are derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights;

(gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director or his associates and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates both to Directors, associates of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associates any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associates may benefit; and

(ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associates, officer or employee pursuant to the Bye-laws.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all traveling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of traveling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of chairman, deputy chairman, managing Director, joint managing Director, deputy managing Director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting one-third of the Directors for the time being (or if their number is not three (3) or a multiple of three (3), then the number nearest but not exceeding one third) will retire from office save for any chairman, deputy chairman, managing Director or joint managing Director. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than two (2). A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company) provided that the notice of any general meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for his removal. The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Directors may from time to time entrust to and confer upon the chairman, managing Director, joint managing Director, deputy managing Director or executive Director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

Subject to the provisions of the Bermuda Companies Act, the Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Bermuda Companies Act, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarized above, in common with the Bye-laws in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Bye-laws to hold any qualification shares.

(xi) Indemnity to Directors

The Bye-laws contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The Memorandum of Association of the Company may be altered by the Company in general meeting. In certain circumstances, consent to the alteration must be obtained from the Minister of Finance of Bermuda. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. As more fully described in paragraph 3 below, the Bye-laws provide that a special resolution is required to alter the Memorandum of Association, to approve any alteration to the Bye-laws and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some

person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Bermuda Companies Act, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its authorized or issued share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorized and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Bermuda Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives or, where voting is by

poll, by proxy, at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five percent (95%) in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or installments is treated for the foregoing purposes as paid on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way. At all times during the Relevant Period (as defined in the Bye-laws) (but not otherwise), whereby any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

So far as permitted by the Bermuda Companies Act, where a shareholder is a clearing house (as defined in the Bye-laws) or a nominee of a clearing house and, in each case, being a corporation, it may authorize such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorized. Each person so authorized under the provisions of the Bye-laws shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen (15) months after the last preceding annual general meeting or, as the case may be, its statutory meeting or such longer period as is permissible or not prohibited under the rules of the stock exchange of the Relevant Territory (as defined in the Bye-laws.)

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by Bermuda Companies Act affecting the Company or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors provided that such records as are required by the Bermuda Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by Bermuda Companies Act or ordered by a court of competent jurisdiction or authorized by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Bermuda Companies Act. Every balance sheet of the Company shall be signed on behalf of the Directors by two (2) Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Bermuda Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice. However, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and their duties regulated in accordance with the Bermuda Companies Act. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings may be called by

notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the place, the day and the hour of meeting and particulars of the resolutions to be considered at the meeting, in the case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the execution of the instrument of transfer by the transferor or the transferee of a share.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favor of more than four (4) persons jointly or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two (2) months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognize an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which empowers the Company to purchase its own shares) by providing that the power is exercisable by the Directors upon such term and conditions as they think fit.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Bye-laws relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of contributed surplus (as to the meaning of this term, see paragraph 4(d) below).

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realization of any of the foregoing unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six (6) years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two (2) or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting where voting is by poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy. Proxies need not be members of the Company.

A proxy or proxies representing either an individual or a corporate member shall be entitled to exercise the same powers on behalf of the member whom he or they represent as such member could exercise.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty percent (20%) per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or

installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding twenty percent (20%) per annum as the Directors may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen (14) days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding twenty percent (20%) per annum as the Board may prescribe.

(q) Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members as the matter is dealt with in the Bermuda Companies Act (as to which see paragraph 4(m) below).

(r) Inspection of register of Directors

There are no provisions in the Bye-laws relating to the inspection of the register of Directors of the Company, as the matter is dealt with in the Bermuda Companies Act (as to which see paragraph 4(m) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two (2) members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two (2) persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two (2) members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Bermuda company law as summarized in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three (3) occasions during a period of twelve (12) years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three (3) months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of twelve (12) years and three (3) months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Subject to the provisions of the relevant statues of the Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words "share," "shareholder" and "member" therein shall include "stock" and "stockholder."

(x) Other provisions

The Bye-laws provide that, to the extent that it is not prohibited by and is in compliance with Bermuda Law, if any rights attaching to any warrants which the Company may issue after the date of this Prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association of the Company may be altered by the Company in general meeting. In certain circumstances, consent to the amendment must be obtained from the Minister of Finance of Bermuda. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than twenty-one (21) clear days' notice and not less than ten (10) clear business days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than ninety-five percent (95%) in nominal value of the Shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda Law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Bermuda Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account," to which the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company of except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorizing the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorized by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorized by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be canceled or held as treasury shares. Any purchased shares that are canceled will, in effect, revert to the status of authorized but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Bermuda Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda Law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda Law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Bermuda Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorized to do so in its memorandum of association or bye-laws pursuant to section 42A of the Bermuda Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under Bermuda Law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda Law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Bermuda Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Companies Act requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Bermuda Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Bermuda Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three (3) month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six (6) month period.

The Bermuda Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Bermuda Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Bermuda Companies Act. The summarized

financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Bermuda Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda Law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property." This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda Law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty percent (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six (6) months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Bermuda Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Bermuda Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorized it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association'. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Bermuda Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda Law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or bye-laws expires, or the event occurs on the occurrence of which the memorandum or bye-laws provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one (1) month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two (2) occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five (5) persons.

If a creditors' winding up continues for more than one (1) year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda Law, have sent to the Company a letter of advice summarizing certain aspects of Bermuda company law. This letter, together with a copy of the Bermuda Companies Act, is available for inspection as referred to in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection — B. Documents Available for Inspection." Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of the Company

The Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company with limited liability on 1 May 2012 with an authorized share capital of HK$58,000 divided into 5,800,000 Shares (having a par value of HK$0.01 each).

On 4 May 2012, 58,000 Shares were allotted and issued, fully paid, to the following entities in such number as set forth below:

Serial no.	Name of corporate holder of our Shares	No. of Shares held	Percentage of holding of Shares (%)
1.	ZHL Asia Limited	29,085	50.15
2.	ZHY Asia Limited	4,255	7.34
3.	MFQ Asia Limited	4,895	8.44
4.	ZCH Asia Limited	3,100	5.34
5.	YHW Asia Limited	2,000	3.45
6.	SB Asia Limited	1,900	3.28
7.	Inno Technology (HK) Limited	2,000	3.45
8.	Fine Time Holdings Limited	1,000	1.72
9.	Guo Xin Investments Limited	666	1.15
10.	ZDJ Asia Limited	800	1.38
11.	SM Asia Limited	700	1.21
12.	MLW Asia Limited	700	1.21
13.	SXY Asia Limited	730	1.26
14.	XH Asia Limited	1,200	2.07
15.	HYY Asia Limited	1,600	2.76
16.	ZSY Asia Limited	1,330	2.29
17.	XDH Asia Limited	333	0.57
18.	SYL Asia Limited	310	0.53
19.	Precious View Investments Limited	396	0.68
20.	Zhongchi Management Consulting Limited	1,000	1.72
	Total:	**58,000**	**100**

The Company has established a principal place of business in Hong Kong at 31st Floor, 148 Electric Road, North Point, Hong Kong and the Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 3 September 2013. Mr. Kwok Siu Man has been appointed as the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part XI of the Companies Ordinance.

As the Company is incorporated in Bermuda, our operations are subject to the relevant law and regulations of Bermuda and its constitution, comprising its Memorandum of Association and Bye-laws. A summary of the relevant laws and regulations of Bermuda and of the Memorandum of Association and Bye-laws is set out in "Appendix III — Summary of the Constitution of the Company and Bermuda Company Law."

2. Changes in the share capital of the Company

(a) Change in authorized and issued share capital

As of the date of incorporation of the Company, the Company had an authorized share capital of HK$58,000 divided into 5,800,000 Shares of HK$0.01 each.

On 30 April 2013 when the Pre-IPO Subscription Agreements were completed, the Company allotted and issued 5,201 Shares, 5,044 Shares and 5,044 Shares to Ares, OCBC and KNI (i.e. an aggregate of 15,289 Shares), respectively.

On 7 November 2013, the authorized share capital of the Company was increased to HK$500,000,000 by the creation of 49,994,200,000 Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.

Immediately following completion of the Global Offering and the Capitalization Issue (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the authorized share capital of the Company remains to be HK$500 million divided into 50,000 million Shares, of which 3,908,747,000 Shares will be issued fully paid or credited as fully paid, and 46,091,253,000 Shares will remain unissued.

The following is a description of the authorized and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering and the Capitalization Issue:

		HK$
Authorized share capital:		
50,000,000,000	Shares of HK$0.01 each	500,000,000
Issued and to be issued, fully paid or credited as fully paid:		
73,289	Shares in issue as of the date of this Prospectus	732.89
2,931,486,711	Shares to be issued pursuant to the Capitalization Issue	29,314,867.11
977,187,000	Shares to be issued pursuant to the Global Offering	9,771,870.00
3,908,747,000	Total	39,087,470.00

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

As of the Latest Practicable Date, the Company had an authorized share capital of HK$500 million, divided into 50,000 million Shares, and an issued share capital of HK$732.89, divided into 73,289 Shares, all fully paid or credited as fully paid.

(b) Founder shares

The Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of the Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed above and in "— 3. Resolutions in writing of our Shareholders passed on 7 November 2013" below, there has been no alteration in the share capital of the Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 7 November 2013

Pursuant to the written shareholders' resolutions passed by all our Shareholders on 7 November 2013 among others:

(a) the Company approved and adopted our Bye-laws;

(b) the authorized share capital of the Company was increased from HK$58,000 to HK$500,000,000 by the creation of further 49,994,200,000 Shares;

(c) conditional on (A) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus; (B) the Offer Price having been determined and the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this Prospectus; (C) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this Prospectus:

(i) the Global Offering was approved and the Directors were authorized to approve and effect (aa) the allotment and issue of the New Shares pursuant to the Global Offering and (bb) the transfer by the Selling Shareholders of the Sale Shares initially under the Global Offering and such additional Sale Shares upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme (the principal terms of which are set forth in "— D. Share Option Scheme") were approved and adopted and the Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iii) conditional on the share premium account of the Company being credited as a result the issue of the New Shares of the Global Offering, the Directors were authorized to capitalize HK$29,314,867.11 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 2,931,486,711 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 7 November 2013 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in the Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalization;

(iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Bye-laws, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalization Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Bye-laws or any applicable Bermuda Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(v) a general unconditional mandate (the "Repurchase Mandate") was given to the Directors to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalization Issue until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Bye-laws or any applicable Bermuda Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Further information about our Group's PRC subsidiaries

Our Group has interest in the registered capital of nine companies established in the PRC. A summary of the corporate information of these enterprises as of the Latest Practicable Date is set out as follows:

		1. Ruixinda	2. YST Heilongjiang	3. YST Zhenlai	4. YST Honghai
(i)	Full name of company	哈爾濱市瑞信達牧業有限公司	黑龍江克東瑞信達原生態牧業股份有限公司	鎮賚瑞信達原生態牧業有限公司	齊齊哈爾紅海原生態牧業股份有限公司
(ii)	Date of establishment	9 December 2010	5 September 2008	9 July 2009	5 May 2009
(iii)	Economic nature	Wholly foreign owned enterprise	Joint stock limited company	Limited liability company	Joint stock limited company
(iv)	Registered holder(s)	Royal Dairy Farm	1. YST Heping 2. Ruixinda	1. YST Heilongjiang 2. Ruixinda	1. YST Heilongjiang 2. Ruixinda
(v)	Total investment amount (where applicable)	RMB180 million	N.A.	N.A.	N.A.
(vi)	Registered capital	RMB180 million	RMB186.85 million	RMB60 million	RMB5 million
(vii)	Percentage equity interest attributable to our Group	100%	100%	100%	100%
(viii)	Term of operation	8 December 2040	Long term	9 July 2019	Long term

		5. YST Sifang	6. YST Qiqihar	7. YST Heping	8. Ruixinda Gannan
(i)	Full name of company	齊齊哈爾四方原生態牧業股份有限公司	齊齊哈爾瑞信達生態養殖有限公司	黑龍江克東和平原生態牧業有限公司	黑龍江甘南瑞信達原生態牧業有限公司
(ii)	Date of establishment	7 May 2009	10 September 2012	3 July 2007	9 July 2007
(iii)	Economic nature	Joint stock limited company	Limited liability company	Limited liability company	Limited liability company
(iv)	Registered holder(s)	1. YST Heilongjiang 2. Ruixinda	1. YST Heilongjiang 2. Ruixinda	Ruixinda	Ruixinda
(v)	Total investment amount (where applicable)	N.A.	N.A.	N.A.	N.A.
(vi)	Registered capital	RMB5 million	RMB3 million *(Note 1)*	RMB76.52 million	RMB38 million
(vii)	Percentage equity interest attributable to our Group	100%	100%	100%	100%
(viii)	Term of operation	Long term	Long term	3 July 2027	8 July 2027

		9. Ruixincheng	10. Ruixinda Baiquan	11. YST Yongjin
(i)	Full name of company	哈爾濱市瑞信誠商貿有限公司	拜泉瑞信達原生態牧業有限公司	克東勇進原生態牧業有限公司
(ii)	Date of establishment	3 May 2013	25 June 2013	5 July 2013
(iii)	Economic nature	Wholly foreign owned enterprise	Limited liability company	Limited liability company
(iv)	Registered holder(s)	Royal Dairy Farm	1. YST Heilongjiang 2. Ruixinda	1. YST Heilongjiang 2. Ruixinda
(v)	Total investment amount (where applicable)	RMB550 million	N.A.	N.A.
(vi)	Registered capital	RMB550 million	RMB50 million *(Note 2)*	RMB30 million *(Note 3)*
(vii)	Percentage equity interest attributable to our Group	100%	100%	100%
(viii)	Term of operation	2 May 2043	Indefinite	Indefinite

Notes:

1. On 10 September 2012, YST Qiqihar was established with a registered capital of RMB3 million. 20% of its registered capital has been paid up by YST Heilongjiang at its incorporation and up to the Latest Practicable Date. Under the articles of association of YST Qiqihar, the remaining registered capital shall be paid up by all the equity holders, namely YST Heilongjiang and Ruixinda, according to their respective holdings on or before 29 May 2014.

2. Under the articles of association of Ruixinda Baiquan, portions of registered capital in the sum of RMB10 million and RMB40 million are required to be contributed on or before 11 July 2013 and 10 July 2015 respectively. RMB10 million was contributed to Ruixinda Baiquan by its relevant shareholder(s) within the prescribed time. Up to the Latest Practicable Date, only the said amount of RMB10 million had been contributed.

3. Under the articles of association of YST Yongjin, portions of registered capital in the sum of RMB6 million and RMB24 million are required to be contributed on or before 3 July 2013 and 2 July 2015 respectively. RMB6 million was contributed to YST Yongjin by its relevant shareholder(s) within the prescribed time. Up to the Latest Practicable Date, only the said amount of RMB6 million had been contributed.

The scope of permitted business as recorded in the business licenses of the respective PRC subsidiaries of our Group as of the Latest Practicable Date is set out below:

1.	Ruixinda	Consulting and research and development of livestock breeding technology(ies)
2.	YST Heilongjiang	Dairy farming; sales of raw milk; purchase of fodder, green fodder and forage; import of goods for the company's own use
3.	YST Zhenlai	Dairy farming; sales of raw milk; import of goods for the company's own use
4.	YST Honghai	Dairy farming; sales of raw milk; import of goods for the company's own use

5.	YST Sifang	Dairy farming; sales of raw milk; import of goods for the company's own use
6.	YST Qiqihar	Dairy farming; purchase of fodder, green fodder and forage; import of goods for the company's own use
7.	YST Heping	Dairy farming, dairy cattle breeding, sales of milk and related import and export trade
8.	Ruixinda Gannan	Dairy farming; sales of raw milk; import of goods for the company's own use
9.	Ruixincheng	Wholesale of feeds, farming machineries, hardware and electrical products
10.	Ruixinda Baiquan	investment in dairy farming
11.	YST Yongjin	Dairy farming; sales of raw milk; import of goods for the company's own use

5. Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set forth in Appendix I to this Prospectus.

The following alterations in the share capital of each of the Company's subsidiaries took place within two years immediately preceding the date of this Prospectus:

BVI Subsidiary

As of the date of its incorporation on 3 May 2012, the BVI Subsidiary had an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each. On 8 May 2012, 100 shares of US$1 each in the BVI Subsidiary were allotted and issued, credited as fully paid up, to the Company.

As part of the Reorganization, on 26 April 2013, the BVI Subsidiary entered into a call option deed with ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (collectively, "Subscribers"), pursuant to which the BVI Subsidiary granted call options to each of these five Subscribers, by which the Subscribers is entitled to be issued and allotted in aggregate one ordinary share of the BVI Subsidiary upon exercise of such options by ZHL Asia Limited (for itself and on behalf of all other Subscribers) within three calendar days from the date of the deed (the "Option Period"), in order to set off the advance of a HK$224 million loan by the Subscribers to the BVI Subsidiary pursuant to a loan agreement dated 26 April 2013. The exercise price of such options would be the sum of HK$1 million in aggregate in cash. On 29 April 2013, the option deed (and the options) lapsed upon the expiry of the Option Period. Please refer to paragraph (iv) and (v) on page 125 of this Prospectus.

HK Subsidiary

As of the date of its incorporation on 17 May 2012, HK Subsidiary had an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On 17 May 2012, 100 shares in the HK Subsidiary were allotted and issued, credited as fully paid up, to our BVI Subsidiary.

YST Qiqihar

On 10 September 2012, YST Qiqihar was established with a registered capital of RMB3 million. 20% of its registered capital has been paid up by YST Heilongjiang at its incorporation, whereas the remaining registered capital shall be paid up by all the equity holders, namely YST Heilongjiang and Ruixinda, according to their respective holdings on or before 29 May 2014.

YST Heilongjiang

As part of the Reorganization in relation to the settlement of the indebtedness by YST Heilongjiang to certain creditors, Ms. SX Li subscribed for an aggregate of 0.99% of the registered capital of YST Heilongjiang (representing 1.85 million shares with a par value of RMB1 each) by paying up an aggregate amount of RMB459,355,000 to YST Heilongjiang in March and April 2013, respectively, which resulted in an increase of registered capital from RMB185 million to RMB186.85 million. The relevant registration procedures were completed on 3 April 2013. On 14 June 2013, Ms. SX Li and YST Heping entered into an equity transfer agreement, pursuant to which YST Heping agreed to acquire 0.99% equity interest in YST Heilongjiang from Ms. SX Li at a consideration at RMB1.85 million, which was determined based on the nominal registered capital of YST Heilongjiang. The relevant registration procedures were completed on 18 June 2013.

Ruixincheng

On 3 May 2013, Ruixincheng was established with a registered capital of RMB550 million, of which approximately 44.91% of its registered capital has been paid up by Royal Dairy Farm as of 7 June 2013, whereas the remaining registered capital shall be paid up by Royal Dairy Farm on or before 3 May 2015.

Save as disclosed above, there has been no other alteration in the share capital (or the registered capital for the subsidiaries incorporated in the PRC) of any of our subsidiaries within the two years immediately preceding the date of this Prospectus.

6. Repurchases by the Company of our own securities

This section sets forth information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by the Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Bye-laws of the Company and the Listing Rules and the applicable laws of the Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Bermuda Companies Act any repurchases by the Company may be made out of the Company's funds which would otherwise be available for dividend or distribution, out of the Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorized by the Bye-laws and subject to the Bermuda Companies Act, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the Company's share premium account.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first

notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of the Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds lawfully available for such purpose in accordance with its Memorandum of Association and Bye-laws, the Listing Rules and the applicable Bermuda Law.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this Prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for the Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 3,908,747,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, could accordingly result in up to approximately 390,874,700 Shares being repurchased by the Company during the period prior to the earliest occurrence of any of the following:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or the Bye-laws to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in Hong Kong.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

7. Registration under Part XI of the Companies Ordinance

The Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at 31st Floor, 148 Electric Road, North Point, Hong Kong. The Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Kwok Siu Man of 31st Floor, 148 Electric Road, North Point, Hong Kong, our joint company secretary, has been appointed as agent of the Company for the acceptance of service of process and notices on us in Hong Kong under Part XI of the Companies Ordinance.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or our subsidiaries within the two years preceding the date of this Prospectus and are or may be material:

(a) an equity transfer agreement dated 28 December 2011 entered into between Ruixinda and Shi Guanghua (史光華), pursuant to which Ruixinda agreed to acquire 32.773% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Shi Guanghua at a consideration of RMB60.63 million;

(b) an equity transfer agreement dated 28 December 2011 entered into between Ruixinda and Wang Shaogang (王紹崗), pursuant to which Ruixinda agreed to acquire 37.081% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Wang Shaogang at a consideration of RMB68.6 million;

(c) an equity transfer agreement dated 28 December 2011 entered into between Ruixinda and Yang Chunyu (羊春郁), pursuant to which Ruixinda agreed to acquire 0.919% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Yang Chunyu at a consideration of RMB1.7 million;

(d) an equity transfer agreement dated 28 December 2011 entered into between Ruixinda and Du Baojun (杜寶君), pursuant to which Ruixinda agreed to acquire 0.919% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Du Baojun at a consideration of RMB1.7 million;

(e) an equity transfer agreement dated 28 December 2011 entered into between Ruixinda and Zhou Haifen (周海芬), pursuant to which Ruixinda agreed to acquire 0.919% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Zhou Haifen at a consideration of RMB1.7 million;

(f) an equity transfer agreement dated 28 December 2011 entered into between Ruixinda and Mr. HL Zhao, pursuant to which Ruixinda agreed to acquire 2.065% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Mr. HL Zhao at a consideration of RMB3.82 million;

(g) an equity transfer agreement dated 28 December 2011 entered into between YST Heping (whose former Chinese name was "黑龍江飛鶴克東歐美養殖有限公司") and Mr. HL Zhao, pursuant to which YST Heping (whose former Chinese name was "黑龍江飛鶴克東歐美養殖有限公司") agreed to acquire 1% equity interest in YST Heilongjiang (whose former Chinese name was "黑龍江飛鶴原生態牧業有限公司") from Mr. HL Zhao at a consideration of RMB1.85 million;

(h) an equity transfer agreement dated 15 February 2012 entered into between Ruixinda and Mr. HL Zhao, pursuant to which Ruixinda agreed to acquire 0.17% equity interest in YST Zhenlai (whose former Chinese name was "鎮賚飛鶴原生態牧業有限公司") from Mr. HL Zhao at a consideration of RMB100,000;

(i) an equity transfer agreement dated 23 March 2012 entered into between Ruixinda and Mr. HL Zhao, pursuant to which Ruixinda agreed to acquire registered capital in the aggregate nominal amount of RMB100,000 in YST Honghai (whose former Chinese name was "黑龍江飛鶴龍江原生態牧業股份有限公司") from Mr. HL Zhao at nil consideration;

(j) an equity transfer agreement dated 23 March 2012 entered into between Ruixinda and Mr. HL Zhao, pursuant to which Ruixinda agreed to acquire registered capital in the aggregate nominal amount of RMB100,000 in YST Sifang (whose former Chinese name was "黑龍江飛鶴甘南原生態牧業股份有限公司") from Mr. HL Zhao at nil consideration;

(k) an equity transfer agreement dated 18 May 2012 entered into between Royal Dairy Farm, Ruixinda and Hu Yiyao (胡藝耀), pursuant to which Royal Dairy Farm agreed to acquire 8.33% equity interest in Ruixinda from Hu Yiyao at a consideration of RMB15 million;

(l) an equity transfer agreement dated 18 May 2012 entered into between Royal Dairy Farm, Ruixinda and Ms. SX Li, pursuant to which Royal Dairy Farm agreed to acquire 61.11% equity interest in Ruixinda from Ms. SX Li at a consideration of RMB110 million;

(m) an equity transfer agreement dated 18 May 2012 entered into between Royal Dairy Farm, Ruixinda and Xiong Han (熊瀚), pursuant to which Royal Dairy Farm agreed to acquire 8.33% equity interest in Ruixinda from Xiong Han at a consideration of RMB15 million;

(n) an equity transfer agreement dated 18 May 2012 entered into between Royal Dairy Farm, Ruixinda and Mao Haifeng (毛海峰), pursuant to which Royal Dairy Farm agreed to acquire 2.78% equity interest in Ruixinda from Mao Haifeng at a consideration of RMB5 million;

(o) an equity transfer agreement dated 18 May 2012 entered into between Royal Dairy Farm, Ruixinda and Zhang Dijun (張廸軍), pursuant to which Royal Dairy Farm agreed to acquire 5.56% equity interest in Ruixinda from Zhang Dijun at a consideration of RMB10 million;

(p) an equity transfer agreement dated 18 May 2012 entered into between Royal Dairy Farm, Ruixinda and Zhang Chaohui (張朝暉), pursuant to which Royal Dairy Farm agreed to acquire 13.89% equity interest in Ruixinda from Zhang Chaohui at a consideration of RMB25 million;

(q) a subscription agreement dated 4 February 2013 entered into between Ares, ZHL Asia Limited, Mr. HL Zhao, the Company and Natural Dairy Farm, pursuant to which Ares agreed to subscribe for 5,044 convertible redeemable preferred shares of HK$0.01 each in the Company at Hong Kong dollar equivalent of RMB200 million (which agreement was rescinded by the investor rights agreement referred to in material contract (v) below);

(r) the investor rights agreement dated 4 February 2013 entered into between Ares, ZHL Asia Limited, Mr. HL Zhao and the Company, which set forth certain rights of the parties to the agreement in relation to the subscription of 5,044 convertible redeemable preferred shares in the Company by Ares (which agreement was rescinded by the investor rights agreement referred to in material contract (v) below);

(s) the Ares Subscription Agreement, the terms of which are summarised in "History, Development and Reorganization — Pre-IPO Investments" of this Prospectus;

(t) the OCBC Subscription Agreement, the terms of which are summarised in "History, Development and Reorganization — Pre-IPO Investments" of this Prospectus;

(u) the KNI Subscription Agreement, the terms of which are summarised in "History, Development and Reorganization — Pre-IPO Investments" of this Prospectus;

(v) the investor rights agreement dated 28 March 2013 entered into between the Ares, OCBC, KNI, ZHL Asia Limited, Mr. HL Zhao and the Company, which set forth certain rights of the parties to the agreement in connection with the subscription of the Shares of the Company, the terms of which are summarised in "History, Development and Reorganization — Pre-IPO Investments" of this Prospectus;

(w) an agreement dated 28 March 2013 entered into between the Company, Mr. HL Zhao and ZHL Asia Limited, pursuant to which Mr. HL Zhao and ZHL Asia Limited (among others) have agreed to become the primary obligors for the performance and discharge of the Put Option Obligations under the Pre-IPO Subscription Agreements and shall jointly and severally indemnify the Company against any cost, expenses, loss or liability suffered or incurred by the Company in respect of its Put Option Obligations under the Pre-IPO Subscription Agreements;

(x) an equity transfer agreement dated 1 April 2013 entered into between Wang Shaogang (王紹崗) and Ruixinda, pursuant to which Ruixinda agreed to acquire 5% equity interest in YST Qiqihar (whose former Chinese name was "齊齊哈爾飛鶴生態養殖有限公司") from Wang Shaogang at nil consideration;

(y) a supplemental agreement dated 25 April 2013 to the Oumei Transfer Agreement entered into between Ruixinda, YST Heping, Ruixinda Gannan and Feihe Dairy HLJ, pursuant to which, among others, the payment term of the Oumei Transfer Agreement was changed that our Group would be required to supply Feihe Dairy HLJ with raw milk valued at about RMB48.4 million per quarter over 11 quarters commencing from 1 April 2013, or to pay Feihe Dairy HLJ the shortfall of such quarterly payment in cash;

(z) a loan agreement dated 26 April 2013 entered into between (i) ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (all as lenders) on the one part and (ii) BVI Subsidiary (as borrower) on the other part, pursuant to which such lenders agreed to advance an interest-free loan of an aggregate principal amount of HK$224 million (which is equivalent to RMB180 million) to BVI Subsidiary with a maturity date of 25 April 2015, for the purpose of settling the purchase prices payable by HK Subsidiary to the then six equity-holders of Ruixinda;

(aa) a call option deed 26 April 2013 entered into between (i) ZHL Asia Limited, HYY Asia Limited, XH Asia Limited, ZDJ Asia Limited and ZCH Asia Limited (collectively, "Subscribers") on the one part, and (ii) the BVI Subsidiary, pursuant to which the BVI Subsidiary granted, at an aggregate option price of HK$224 million payable by such subscribers, call options to each of the Subscribers (as grantor) on the other part, by which the Subscribers were granted the right to be issued and allotted in aggregate one ordinary share of the BVI Subsidiary upon exercise of such options by ZHL Asia Limited (for itself and on behalf of all other Subscribers) within three calendar days from the date of the deed. The exercise price of such options is the sum of HK$1 million in aggregate in cash;

(bb) a supplemental agreement ("Ares Supplemental Agreement") dated 15 May 2013 to the Ares Subscription Agreement entered into between the Company, Mr. HL Zhao, ZHL Asia Limited, the BVI Subsidiary and Ares, pursuant to which the events of default triggering a put option as provided under the Ares Subscription Agreement (other than the provision regarding an IPO not being made by the prescribed date of 30 June 2014) were agreed to be removed;

(cc) a supplemental agreement ("OCBC Supplemental Agreement") dated 15 May 2013 to the OCBC Subscription Agreement entered into between the Company, Mr. HL Zhao, ZHL Asia Limited, the BVI Subsidiary and OCBC, pursuant to which the events of default triggering a put option as provided under the OCBC Subscription Agreement (other than the provision regarding an IPO not being made by the prescribed date of 30 June 2014) were agreed to be removed;

(dd) a supplemental agreement ("KNI Supplemental Agreement") dated 15 May 2013 to the KNI Subscription Agreement entered into between the Company, Mr. HL Zhao, ZHL Asia Limited, the BVI Subsidiary and KNI, pursuant to which the events of default triggering a put option as provided under the KNI Subscription Agreement (other than the provision regarding an IPO not being made by the prescribed date of 30 June 2014) were agreed to be removed;

(ee) an equity transfer agreement dated 14 June 2013 entered into between Ms. SX Li and YST Heping, pursuant to which Ms. SX Li agreed to transfer 0.99% equity interest in YST Heilongjiang to YST Heping at a consideration of RMB1.85 million;

(ff) a side letter dated 28 October 2013 entered into between Mr. HL Zhao, ZHL Asia Limited, the Company, Natural Dairy Farm and Ares, pursuant to which the prescribed date of the event of default triggering the put option under the Ares Subscription Agreement (as amended by the Ares Supplemental Agreement) was amended to 1 January 2015;

(gg) a side letter dated 28 October 2013 entered into between Mr. HL Zhao, ZHL Asia Limited, the Company, Natural Dairy Farm and OCBC, pursuant to which the prescribed date of the event of default triggering the put option under the OCBC Subscription Agreement (as amended by the OCBC Supplemental Agreement) was amended to 1 January 2015;

(hh) a side letter dated 28 October 2013 entered into between Mr. HL Zhao, ZHL Asia Limited, the Company, Natural Dairy Farm and KNI, pursuant to which the prescribed date of the event of default triggering the put option under the KNI Subscription Agreement (as amended by the KNI Supplemental Agreement) was amended to 1 January 2015;

(ii) a cornerstone investor placing agreement dated 6 November 2013 entered into among the Company, China Mengniu Dairy Company Limited and Macquarie Capital Securities Limited, details of which are included in the section headed "Cornerstone Investor" of this Prospectus;

(jj) a deed of non-compete and other undertakings dated 7 November 2013 executed by our Controlling Shareholders as covenanters to give certain undertakings in favor of the Company (for ourselves and on behalf of our subsidiaries), including the non-compete undertakings details of which are summarised in "Relationship with Our Controlling Shareholders — Competition and Conflict of Interests — Undertakings Given by Controlling Shareholders" in this Prospectus;

(kk) a deed of indemnity dated 7 November 2013 executed by ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao in favor of the Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in "— E. Estate Duty, Tax and Other Indemnities;" and

(ll) the Hong Kong Underwriting Agreement dated 13 November 2013 and made between the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Joint Lead Managers, the Hong Kong Underwriters, the covenantors named therein (namely, our Controlling Shareholders) and the Company.

2. Intellectual property rights of our Group

As of the Latest Practicable Date, we registered or made applications for registration of the following intellectual property rights which may be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, the Company was the registered owner of the following trademarks:

Trademark	Class	Registrant/ Applicant	Place of registration	Registration number	Registration date	Expiry date
	29 *(Note 1)*	The Company	Hong Kong	302536786	4 March 2013	3 March 2023
	29 *(Note 1)*	The Company	Hong Kong	302536777	4 March 2013	3 March 2023

As of the Latest Practicable Date, Ruixinda made application for registration of the following trademarks:

Trademark	Class	Registrant/ Applicant	Place of application	Application number	Status
	29 *(Note 2)*	Ruixinda	The PRC	12136463	Pending Application
	29 *(Note 2)*	Ruixinda	The PRC	12200923	Pending Application

1. The specific goods covered under class 29 in respect of which this trademark are: meat; butter; cream (dairy products); cheese; milk; acidophilus milk; koumiss (kumiss) (milk beverage); milk beverages (milk predominating); whey; milk products; milk tea; cocoamilk; milkshake; milk powder.

2. The specific goods covered under class 29 in respect of which this trademark are: meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk and milk products; edible oils and fats.

(b) Domain Names

As of the Latest Practicable Date, members of our Group had registered the following domain names which may be material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1	www.ystdfarm.com	Ruixinda	2 February 2012	2 February 2015
2	www.ystdairyfarm.com	Ruixinda	2 February 2012	2 February 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the chief executive of the Company

Immediately following the completion of the Global Offering and the Capitalization Issue and without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest/Capacity	Relevant company (including associated corporations)	Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding
Mr. HL Zhao *(Note)*	Interest in a controlled corporation	The Company	1,333,600,000	34.12%

Note: ZHL Asia Limited is solely owned by Mr. HL Zhao, whereas ZHY Asia Limited is solely owned by Mr. HY Zhao who is the brother of Mr. HL Zhao. Immediately after the Global Offering and the Capitalization Issue, 1,163,400,000 Shares will be owned by ZHL Asia Limited and 170,200,000 Shares will be owned by ZHY Asia Limited.

ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed to confirm, among others, their acting-in-concert agreement. As such, immediately following completion of the Global Offering and the Capitalization Issue, ZHL Asia Limited and ZHY Asia Limited will together control approximately 34.12% interest in the issued share capital in the Company.

Mr. HL Zhao is deemed or taken to be interested in all the shares which are beneficially owned by ZHL Asia Limited.

Being an executive Director, Mr. HL Zhao is interested in the Reorganization.

Save as disclosed in this Prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this Prospectus.

(b) Interests of the substantial Shareholders

So far as is known to any Director or chief executive of the Company, immediately following the completion of the Global Offering and the Capitalization Issue and without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option, the following persons (other than a Director or chief executive of the Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock

Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long Positions in the Shares and the underlying Shares

		Immediately following the completion of the Global Offering and the Capitalization Issue	
Name of Shareholder *(Note)*	**Nature of interest/Capacity**	**Number of Shares held**	**Approximate % of interest**
ZHL Asia Limited	Beneficial owner	1,333,600,000	34.12%
Ms. SX Li	Interest of spouse	1,333,600,000	34.12%
ZHY Asia Limited	Beneficial owner	1,333,600,000	34.12%
Mr. HY Zhao	Interest in a controlled corporation	1,333,600,000	34.12%

Note: ZHL Asia Limited is solely owned by Mr. HL Zhao, whereas ZHY Asia Limited is solely owned by Mr. HY Zhao who is the brother of Mr. HL Zhao. Immediately after the Global Offering and the Capitalization Issue, 1,163,400,000 Shares will be owned by ZHL Asia Limited and 170,200,000 Shares will be owned by ZHY Asia Limited.

ZHL Asia Limited, ZHY Asia Limited, Mr. HL Zhao and Mr. HY Zhao are parties acting in concert and on 29 October 2013 they entered into a deed to confirm, among others, their acting-in-concert agreement. As such, immediately following completion of the Global Offering and the Capitalization Issue, ZHL Asia Limited and ZHY Asia Limited will together control approximately 34.12% interest in the issued share capital in the Company.

Mr. HL Zhao is deemed or taken to be interested in all the Shares which are beneficially owned by ZHL Asia Limited and Mr. HY Zhao is deemed or taken to be interested in all the Shares which are beneficially owned by ZHY Asia Limited.

Ms. SX Li is the spouse of Mr. HL Zhao. Accordingly, Ms. SX Li is deemed or taken to be interested in all Shares in which Mr. HL Zhao is interested for the purpose of the SFO.

2. Directors' service contracts and appointment letters

Executive Directors

Each of our executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 November 2013.

Each of our executive Directors is entitled to a basic salary as set forth below (subject to an annual increment of not more than 10% of the annual salary immediately prior to such increase after 31 December 2014 at the discretion of our Directors). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated net profit of our Group (after taxation, minority interests and payment of such bonuses but

before extraordinary items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary (HK$)
Mr. HL Zhao	125,000
Wang Shaogang	125,000
Fu Wenguo	125,000
Su Shiqin	125,000

Non-executive Directors and INEDs

Each of our non-executive Directors has been appointed for an initial term of three years commencing from 1 November 2013. Each of our non-executive Directors is not entitled to any director's fee.

Each of our INEDs has been appointed for an initial term of three years commencing from 7 November 2013. Each of Mr. Zhang Yuezhou and Mr. Zhu Zhanbo is entitled to a director's fee of HK$125,000 per annum, and Mr. Wu Chi Keung is entitled to a director's fee of HK$200,000 per annum. Save for directors' fees, none of our non-executive Directors or INEDs is expected to receive any other remuneration for holding their office as a non-executive Director or an INED.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Directors' remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of each of the financial years ended 31 December 2011 and 2012 and the six months ended 30 June 2013 were approximately RMB397,000, RMB970,000 and RMB504,000, respectively (no emoluments were paid to the Directors in the year ended 31 December 2010).

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the INEDs in their respective capacity as Directors) for the year ending 31 December 2013 are expected to be approximately RMB1 million.

(iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2012 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2012.

4. Disclaimers

Save as disclosed in this Prospectus:

(a) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of the Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in "— F. Other Information — 6. Qualifications of experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this Prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this Prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

(e) save in connection with Underwriting Agreements, none of the persons listed in "— F. Other Information — 6. Qualifications of experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) save for the Underwriting Agreements, none of the persons listed in "— F. Other Information — 6. Qualifications of experts" below is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

(g) none of our Directors has entered or has proposed to enter into any service agreements with the Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(h) so far as is known to our Directors, none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of the Company) has any interest in any of the five largest customers or the five largest suppliers of our Group; and

(i) none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our then Shareholders on 7 November 2013:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(ii) Who may join and basis of eligibility

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company, any of our subsidiaries or any entity (the "Invested Entity") in which any member of our Group holds an equity interest;

(bb) any non-executive Directors (including INEDs) of the Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares

(aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

(bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (i.e. 390,874,700 Shares) (the "General Scheme Limit").

(cc) Subject to (aa) above but without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, canceled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by the Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or substantial Shareholders of the Company or their respective associates

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates must be approved by INEDs (excluding the INED who or whose associates are the proposed grantee of the options).

(bb) Where any grant of options to a substantial Shareholder or an INED or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting in favor at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of

such options must be taken on a poll. Any change in the terms of options granted to a substantial Shareholder or an INED or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after inside information has come to its notice until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for the Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of the Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months

following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is

to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancelation of options

Any cancelation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so canceled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the option period in respect of such option;

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which the Directors exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

(aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of the Company in general meeting.

2. Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As of the date of this Prospectus, no options had been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as of the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

E. ESTATE DUTY, TAX AND OTHER INDEMNITIES

Our Controlling Shareholders (the ''Indemnifiers'') have entered into a deed of indemnity with and in favor of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (kk) referred to in paragraph B(1) above) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof

under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2013;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on 30 June 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:

  (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2013; and

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2013 or pursuant to any statement of intention made in this Prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2013 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Pursuant to the deed of indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group, among other indemnities:

(a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which such member of our Group may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the date of Listing, including not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this prospectus (whether concerning the passing of environmental completion acceptance inspection of the Group's farms from environmental supervision agencies before starting formal production, or the contribution of housing funds or otherwise) or all litigation, arbitration, claims, counter-claims; actions, complaints, demands, judgments and/or legal proceedings by or against any member of our Group which was issued, accrued and/or arising from any act of any such member at any time on or before the Listing Date; and

(b) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings arising from the relocation by such member arising from or in connection with the lessors' lack of relevant title certificates or documents or the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member.

The provisions contained in the deed of indemnity are conditional on the conditions stated in "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, the deed of indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of the Bermuda or the BVI is likely to fall on our Group members.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/she/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganization.

F. OTHER INFORMATION

1. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

As regards the independence of each of the Joint Sponsors (in alphabetical order):

(a) China Securities (International) Corporate Finance Company Limited has satisfied the requirements under Rule 3A.07 of the Listing Rules and is an independent sponsor of the Company;

(b) Credit Suisse (Hong Kong) Limited is not considered an independent sponsor under Rule 3A.07 of the Listing Rules as the Company and certain members of our Group currently have banking relationships with an affiliate of Credit Suisse (Hong Kong) Limited; and

(c) Macquarie Capital Securities Limited has satisfied the requirements under Rule 3A.07 of the Listing Rules and is an independent sponsor of the Company.

2. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

3. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US$6,000 and are payable by the Company.

4. Promoters

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

5. Agency fees or commissions received

Except as disclosed in "Underwriting" in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this Prospectus are as follows (in alphabetical order):

Name	Qualifications
China Securities (International) Corporate Finance Company Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Conyers Dill & Pearman	Bermuda barristers and attorneys
Credit Suisse (Hong Kong) Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities (as defined in the SFO)
Ernst & Young	Certified Public Accountants
Jingtian & Gongcheng	Qualified PRC lawyers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Valuer
Macquarie Capital Securities Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)

7. Consents of experts

Each of the experts referred to in "— 6. Qualifications of experts," has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Save as disclosed in this Prospectus, none of the experts named above has any shareholding interests in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of our subsidiaries.

8. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance of this Prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. Financial adviser

VMS Securities Limited ("VMS Securities") has been appointed by the Company as the financial adviser in respect of the Global Offering. The appointment of VMS Securities was not made pursuant to the requirements of the Listing Rules, and the appointment of VMS Securities is separate and distinct from the appointment of the Joint Sponsors (which is required to be made by us pursuant to the Listing Rules). The Joint Sponsors are responsible for fulfilling their duties as sponsors to the Company's application for listing on the Stock Exchange, and the Joint Sponsors have not relied on any of the work performed by VMS Securities in fulfilling those duties. VMS Securities' role in the Global Offering is different from that of the Joint Sponsors in that it focuses on advising the Company throughout the listing process, including the selection of cornerstone investor(s) and strategic investor(s) for the Company. VMS Securities is a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

10. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Bermuda

Under present Bermuda Law, transfers and other dispositions of Shares are exempt from Bermuda stamp duty.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of the Company, the Selling Shareholders, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

11. Miscellaneous

(a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither the Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(vi) no interruption in the business of our Group which my have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(vii) no arrangement under which future dividends are waived or agreed to be waived by the Company;

(viii) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(ix) the Company has no outstanding convertible debt securities.

(b) Our principal register of members will be maintained by our Principal Share Registrar, Codan Services Limited, in Bermuda and our Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in Bermuda.

(c) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up).

12. Bilingual prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Particulars of the Selling Shareholders

The following sets out the brief particulars of the Selling Shareholders:

Name of Selling Shareholder	Date of incorporation	Registered office	Relationship with our Group
YHW Asia Limited	30 March 2012	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Yang Hongwei is the sole shareholder of this company and is an individual investor of our Group
ZSY Asia Limited	30 March 2012	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Zhao Siyuan is the sole shareholder of this company and is an individual investor of our Group
SB Asia Limited	30 March 2012	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Sun Bo is the sole shareholder of this company and is an individual investor of our Group
SXY Asia Limited	30 March 2012	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Sun Xiaoyan is the sole shareholder of this company and is an individual investor of our Group
MFQ Asia Limited	30 March 2012	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Meng Fanqing is the sole shareholder of this company and is an individual investor of our Group
Ares	31 January 2013	Maples Corporate Services Limited P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	A Pre-IPO Investor of our Group, whose background is set out in "History, Development and Reorganization — Pre-IPO Investments" in this Prospectus
OCBC	31 October 1932	65 Chulia Street, #09-00 OCBC Centre, Singapore 049513	A Pre-IPO Investor of our Group, whose background is set out in "History, Development and Reorganization — Pre-IPO Investments" in this Prospectus
KNI	18 March 2013	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	A Pre-IPO Investor of our Group, whose background is set out in "History, Development and Reorganization — Pre-IPO Investments" in this Prospectus

The information contained in this appendix should not be relied on to make an investment decision

The information contained in this appendix relating to Feihe Dairy Group is extracted from documents filed with the U.S. Securities and Exchange Commission that are published available at http://www.sec.gov. Whilst our Directors have taken all reasonable care to ensure that the information is accurately reproduced from such sources, such information has not been independently verified by the Company nor reviewed or audited by its reporting accountants and may be incomplete or out-of-date. This appendix does not contain all the information that may be important to you. You should read the filings made by Feihe Dairy Group and carefully consider the information contained therein, in particular "Risk Factors."

None of the Company, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering make any representation as to the accuracy or completeness of such information, take no responsibility for the contents of the information contained herein and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this appendix. Accordingly, such information should not be unduly relied upon.

KEY FINANCIAL INFORMATION OF FEIHE DAIRY GROUP

The following sets out some key financial information of Feihe Dairy Group, which is extracted from the audited financial statements on Form 10K filed on 27 March 2013 for the three fiscal years ended 31 December 2012 of Feihe Dairy International (which however have not been reviewed or audited by our reporting accountants) sourced from http://www.sec.gov/:

	For the fiscal year ended 31 December (US$ million)		
Item	**2010**	**2011**	**2012**
Total sales	257	293	268
Net income (loss)	(10)	(1)	21
Total assets	586	442	476
Net assets	162	176	202

REASONS FOR FEIHE DAIRY INTERNATIONAL'S PRIVATIZATION IN JUNE 2013

The following is an extract of the Schedule 14A Proxy Statement dated 20 May 2013 of Feihe Dairy International sourced from http://www.sec.gov/. For the purpose of the following extract, the following terms and expressions have the meanings set out below:

"board of directors" or "our board of directors"	board of directors of Feihe Dairy International
"Company"	Feihe Dairy International
"directors"	directors of Feihe Dairy International

"excluded shares"	Feihe Dairy International's common stock held by (i) the Rollover Holders, (ii) Holdco, Parent, Merger Sub, Feihe Dairy International or any of their respective subsidiaries, and (iii) shareholders who have properly exercised and perfected dissenters' rights under the Utah Revised Business Corporation Act
"Going Private Proposal"	a preliminary, non-binding proposal from Mr. You-Bin Leng and MSPEA IMF Holding Limited, a Cayman Islands exempted company limited by shares wholly owned by the Sponsor, to acquire all of the outstanding shares of common stock of Feihe Dairy International that were not then currently owned by them and their respective affiliates in a going private transaction for $7.40 per share in cash, subject to certain conditions
"Holdco"	Diamond Infant Formula Holding Limited, a Cayman Islands exempted company
"merger agreement"	an Agreement and Plan of Merger entered into between Feihe Dairy International and Holdco
"Merger Sub"	Infant Formula Merger Sub Holding Inc., a Utah corporation and a wholly owned subsidiary of Parent
"Oppenheimer"	Oppenheimer & Co. Inc., special committee's financial advisor
"Parent"	Platinum Infant Formula Holding Limited, a Cayman Islands exempted company and a wholly owned subsidiary of Holdco
"Rollover Holder(s)"	Mr. You-Bin Leng, Mr. Sheng-Hui Liu, Mr. Hua Liu
"shareholders"	shareholders of Feihe Dairy International
"special committee"	the independent special committee of the board of directors of Feihe Dairy International, which was established on 7 November 2012
"Sponsor"	Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd, a Cayman Islands exempted limited liability company
"unaffiliated shareholder(s)"	shareholders (other than the members of the Holdco, Parent, Merger Sub, the Rollover Holders and the Sponsor and its affiliates)

"Reasons for the Merger and Recommendation of the Special Committee and Our Board of Directors

The board of directors of the Company determined that it was advisable and in the best interests of the Company and its shareholders to form the special committee consisting only of directors that were independent and unaffiliated with any member of the buyer group or any members of the management of the Company, for the purpose of evaluating the Going Private Proposal received from Mr. You-Bin Leng and MSPEA on October 3, 2012 and other strategic alternatives available to the Company. The board of directors of the Company appointed Mr. David Dong, Mr. Kirk Downing and Ms. Xiaofei Ren as members of the special committee. The board of directors of the Company delegated exclusive power and authority to the special committee in connection with its evaluation of the Going Private Proposal, including the exclusive power and authority to (i) formulate, establish, oversee and direct a process for the identification, evaluation and negotiation of a potential sale of the Company, (ii) evaluate and negotiate the terms of any proposed definitive or other agreements in respect of a potential sale of the Company, (iii) make recommendations to the board of directors of the Company in respect of any potential transaction, including, without limitation, any recommendation to not proceed with or to recommend that the Company's shareholders reject a potential sale of the Company, (iv) make recommendations to the board of directors of the Company that it take other actions or consider other matters that the special committee deems necessary or appropriate with respect to any potential sale of the Company or other potential alternative transactions; and (v) exercise any other power that otherwise may be exercised by the board of directors of the Company and that the special committee may determine is necessary or advisable to carry out and fulfill its duties and responsibilities through the abandonment or completion of a potential sale of the Company. In connection with the formation of the special committee, our board of directors resolved that it would not approve or recommend to the Company's shareholders any potential sale of the Company without the favorable recommendation of the special committee.

The special committee, at a meeting held on March 3, 2013, unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement were advisable and fair (both substantively and procedurally) to and in the best interests of the Company and its unaffiliated shareholders, and recommended that our board of directors adopt resolutions that:

- *determine that the merger agreement, the limited guarantee and the transactions contemplated by the merger agreement and the limited guarantee, including the merger, are advisable and fair to and in the best interests of the Company and the unaffiliated shareholders;*

- *approve in all respects, the form, terms, provisions and conditions of the merger agreement, the voting agreement, the contribution agreement, the limited guarantee and the Onshore Credit Facility (as defined below) and the transactions contemplated thereby, including the merger; and*

- *submit the merger agreement to the shareholders of the Company for approval at a meeting of the shareholders of the Company, and recommend that the shareholders of the Company vote for the approval of the merger agreement and the consummation of the transactions contemplated by the merger agreement, including the merger.*

Later that day on March 3, 2013, our board of directors convened a meeting where it received the recommendation of the special committee. The Company reasonably believes that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to unaffiliated security holders of the Company. At that meeting, our board of directors determined, on behalf of the Company, that the merger agreement and the transactions contemplated by the merger agreement, including the merger, were advisable, fair (both substantively and procedurally) to and in the best interests of the Company and its unaffiliated shareholders. In addition, at that meeting the Company's board of directors approved and adopted the resolutions recommended by the special committee, which included resolutions to recommend the approval of the merger agreement by the Company's shareholders and direct that the merger agreement be submitted to the Company's shareholders for their approval. In reaching these determinations, our board of directors considered and adopted:

- *the special committee's analyses, conclusions and unanimous determination that the merger agreement, the merger and the other transactions contemplated by the merger agreement were substantively and procedurally fair and advisable to and in the best interest of the Company and its unaffiliated shareholders; and*

- *the special committee's unanimous recommendation that the board of directors adopt the merger agreement, submit the merger agreement to the Company's shareholders for approval at a special meeting of the Company's shareholders and recommend that the shareholders vote for the approval of the merger agreement and the consummation of the merger and other transactions contemplated by the merger agreement.*

The Rollover Holders were not involved in any of our board of directors' deliberations concerning the merger agreement and recused themselves from the March 3, 2012 meeting of our board of directors because of the potential conflicts of interest arising from their roles as directors of the Company and their interest in the transactions contemplated under the merger agreement, including the merger, based on the fact that they were members of the buyer group whose current equity interest in the Company would be rolled over for an indirect equity interest in the surviving company in the merger. Please see "Special Factors — Interests of Certain Persons in the Merger" beginning on page 64 for additional information.

In the course of reaching their respective determinations regarding the fairness of the merger to the unaffiliated security holders and their decisions to recommend that our shareholders approve the merger agreement, the special committee and our board of directors consulted with and received the advice of legal and financial advisors, and discussed certain issues with the Company's senior management team, and also considered the following substantive factors and potential benefits of the merger, each of which the special committee and our board of directors believed supported their respective decisions, but which are not listed in any relative order of importance:

- *the current and historical market prices of the shares of Company common stock, including the fact that the $7.40 per share merger consideration represents (i) a 21.3% premium over the closing price of $6.10 per share of Company common stock as quoted by the NYSE on October 2, 2012, (ii) a 23.5% premium to the volume-weighted average price of the Company common stock during the 30 trading days prior to October 2, 2012, (iii) a 22.7% premium to the volume-weighted average price of the Company common stock during the 90 trading days prior to October 2, 2012, and (iv) a 44.1% premium to the volume-weighted average price of the Company common stock during the last 180 trading days prior to October 2, 2012 (October 2, 2012 being the last trading day prior to the Company's announcement of the receipt of the Going Private Proposal);*

- *the negotiations with respect to the per share merger consideration and the special committee's determination that, following extensive negotiations with the buyer group, $7.40 per share was the highest price that the buyer group would offer, with the special committee basing its belief on a number of factors, including the duration and tenor of negotiations and the experience of the special committee and its advisors;*

- *the financial analyses reviewed and discussed with the special committee by representatives from Oppenheimer, as well as the oral opinion of Oppenheimer that the $7.40 per share merger consideration was fair, from a financial point of view, to the holders of the shares of Company common stock (other than holders of excluded shares), as of March 3, 2013, based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Oppenheimer in preparing its opinion;*

- *the fact that the $7.40 per share merger consideration would be paid in all cash, which will allow the Company's unaffiliated shareholders to immediately realize liquidity for their investment and provide them with certainty of the value of their shares of Company common stock;*

- *the possibility that it could take a considerable period of time before the trading price of the shares of Company common stock would reach and sustain at the $7.40 per share merger consideration, as adjusted for present value;*

- *the limited trading volume of the Company common stock on the NYSE;*

- *the business, competitive position, strategy and prospects of the Company, the risk that it will not success fully implement its strategy and achieve its prospects, the competitive position of current and likely competitors in the industry in which the Company competes, and current industry, economic, and market conditions;*

- *as a privately-held entity, the Company's management may have greater flexibility to focus on improving the Company's financial performance without the constraints caused by the public equity market's valuation of the Company and emphasis on short-term period-to-period performance;*

- *as a SEC-reporting company, the Company is required to disclose a considerable amount of business information to the public, some of which could be considered proprietary and would not be disclosed by a non-reporting company and as a result, the Company's actual or potential competitors, customers, lenders and vendors all have ready access to this information which may help them compete against the Company and make it more difficult for the Company to negotiate favorable terms with them, as the case may be;*

- *the annual costs of remaining a public company, including the cost of consulting and auditing services associated with compliance with the Sarbanes-Oxley Act of 2002 and other U.S. federal securities laws and fees and expenses of the Company's securities counsel, and these costs are ongoing and difficult to reduce;*

- *estimated forecasts of the Company's future financial performance prepared by the Company's management, together with the management's view of the Company's financial condition, results of operations, business, prospects and competitive position;*

- *the possible alternatives to the merger (including the possibility of remaining a publicly traded company), and the special committee's and our board of directors' assessment that none of these alternatives were reasonably likely to present superior opportunities for the Company or to create greater value for its unaffiliated shareholders than the merger, taking into account risks of execution as well as business, competitive, industry and market risks;*

- *the special committee's belief that it was unlikely that any transaction with a third party could be completed at this time given the Rollover Holders' beneficial ownership of approximately 41.8% of the total outstanding shares of Company common stock (including, for purposes of this calculation, shares of Company common stock issuable upon the exercise of Company options held by them that are exercisable within 60 days from the date of this proxy statement) and the express intention of Mr. You-Bin Leng not to sell his shares of Company common stock to any third party and would not work with any partner other than the Sponsor;*

- *the fact that no prospective other buyers had approached the Company, the special committee or their advisors and indicated their interest in pursuing an alternative transaction with the Company since the announcement of the Going Private Proposal;*

- *the fact that the merger agreement is subject to both (a) the approval of shareholders holding at least a majority of all the outstanding shares of Company common stock and (b) the approval of the unaffiliated shareholders;*

- *the availability of dissenters' rights under Utah law to the shareholders of the Company who comply with all of the required procedures under the Utah law for exercising dissenters' rights, which allow such shareholders to demand payment for the fair value of their shares in accordance with applicable Utah law, as may be determined ultimately by a court;*

- *the likelihood that the merger would be completed based on, among other things (not in any relative order of importance):*

  - *the absence of a financing condition in the merger agreement;*

  - *the likelihood and anticipated timing of completing the proposed merger in light of the scope of the limited conditions to completion, including the absence of any significant required regulatory approvals;*

  - *the Company's ability to seek specific performance to cause Holdco, Parent and Merger Sub to draw down the equity financing and to consummate the merger subject to the availability of debt financing;*

  - *the fact the merger agreement provides that, in the event of a failure of the merger to be completed under certain circumstances, Parent will pay the Company a termination fee of $3,650,000 (which represents approximately 2.5% of the equity value of the Company calculated based on the $7.40 per share merger consideration), the payment of which is guaranteed by the Sponsor and Mr. You-Bin Leng; and*

- *the fact that Holdco and Parent had obtained debt and equity financing commitments for the merger, the limited number and nature of the conditions to the debt and equity financing, the reputation of the financing sources and the obligations of Holdco, Parent and Merger Sub to use their reasonable best efforts to obtain the debt financing, each of which, in the reasonable judgment of the special committee, increases the likelihood of such financing being completed;*

- *the other terms of the merger agreement and related agreements, including:*

  - *the Company's ability under the merger agreement to conduct a 30-day go-shop process after the signing of the merger agreement on March 3, 2013 to initiate, solicit and encourage alternative acquisition proposals from third parties;*

  - *the Company's ability, at any time from and after the end of the go-shop period but prior to the time the Company shareholders approve the merger agreement, to consider and respond to an unsolicited written acquisition proposal, to furnish confidential information to the person making such a proposal and to engage in discussions or negotiations with the person making such a proposal, if the special committee, prior to taking any such actions, determines in good faith that such acquisition proposal constitutes or could reasonably be expected to result in a superior proposal; and*

  - *our board of directors' ability (acting upon the recommendation of the special committee), under certain circumstances, to change its recommendation that shareholders vote to approve the merger agreement;*

  - *our board of directors' ability to terminate the merger agreement and enter into an alternative acquisition agreement with respect to a superior proposal on the condition that the Company shall pay Parent a termination fee of $2,200,000 or $1,500,000, as applicable, which represents approximately 1.5% or 1.0% of the equity value of the Company calculated based on the $7.40 per share merger consideration, respectively;*

- *the consideration and negotiation of the merger agreement was conducted entirely under the control and supervision of the special committee, which consists of three independent directors who are unaffiliated with the buyer group or any of the management members of the Company, and that no limitations were placed on the special committee's authority;*

- *the terms and conditions of the merger agreement were the product of extensive negotiations between the special committee and its advisors, on the one hand, and the buyer group and its advisors, on the other hand; and*

- *the special committee's and our board of directors' belief that the terms of the merger agreement, including the parties' representations, warranties and covenants, and the conditions to their respective obligations, are reasonable."*

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(1) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(2) the written consents referred to in "Appendix IV — Statutory and General Information — F. Other Information — 7. Consents of experts" in this Prospectus;

(3) particulars of the Selling Shareholders; and

(4) copies of the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in this Prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 29 November 2013:

(1) the Memorandum of Association and the Bye-laws;

(2) the accountants' report prepared by Ernst & Young, the text of which is set out in Appendices IA, IB and IC to this Prospectus;

(3) the audited financial statement of companies comprising our Group for each of the three financial years ended 31 December 2012 and the six months ended 30 June 2013 (or such period since their respective dates of incorporation of the relevant member of our Group, when it is shorter), if any;

(4) the comfort letter prepared by Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;

(5) the Bermuda Companies Act;

(6) the letter of advice prepared by Conyers Dill & Pearman, summarizing certain aspects of Bermuda Companies Act as referred to in Appendix III to this Prospectus;

(7) the legal opinion prepared by the PRC Legal Advisers in respect of the Company's subsidiaries incorporated in the PRC and the operations of our Group in the PRC;

(8) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in this Prospectus;

(9) the service contracts referred to in "Appendix IV — C. Further information about our Directors and Substantial Shareholders — 2. Directors' service contracts and appointment letters" in this Prospectus;

(10) the statement of particulars of the Selling Shareholders including their names, addresses and description;

(11) the rules of the Share Option Scheme; and

(12) the written consents referred to in "Appendix IV — Statutory and General Information — F. Other Information — 7. Consents of experts" in this Prospectus.

YST Dairy Farm Limited

原生态牧业



