THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Acceptance Form or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ausnutria Dairy Corporation Ltd, you should at once hand this Composite Document, together with the accompanying Acceptance Form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Acceptance Form, the contents of which form part of the terms and conditions of the Offer contained herein.

CENTER LABORATORIES, INC.
(Incorporated in Taiwan with limited liability)

FAREAST LAND DEVELOPMENT CO., LTD
(Incorporated in Taiwan with limited liability)

BABYLAND HOLDINGS LIMITED
(Incorporated in the BVI with limited liability)

YUANTA I VENTURE CAPITAL CO., LTD.
(Incorporated in Taiwan with limited liability)

YUANTA ASIA INVESTMENT LIMITED
(Incorporated in the BVI with limited liability)

YUANTA SECURITIES (HONG KONG) COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

ASEAN BIO&MEDICAL PLATFORM INVESTMENT, L.P.
(Established in Korea as limited partnership)

BIOENGINE TECHNOLOGY DEVELOPMENT INC.
(Incorporated in Taiwan with limited liability)

POWER POINTER LIMITED
(Incorporated in Hong Kong with limited liability)

澳优·海普诺凯
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1717)

COMPOSITE DOCUMENT RELATING TO MANDATORY CONDITIONAL GENERAL CASH OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL THE ISSUED SHARES OF AUSNUTRIA DAIRY CORPORATION LTD (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE JOINT OFFERORS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

Financial adviser to the Joint Offerors

OPTIMA CAPITAL
Optima Capital Limited

Financial adviser to Ausnutria Dairy Corporation Ltd

ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser to the Independent Board Committee

SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Optima Capital containing, among other things, principal terms of the Offer is set out on pages 8 to 19 of this Composite Document. A letter from the Board is set out on pages 20 to 24 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 25 to 26 of this Composite Document. A letter from Somerley Capital to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 27 to 49 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Acceptance Form. Acceptances of the Offer must be received by the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not no later than 4:00 p.m. on Thursday, 23 July 2015, or such later time and/or date as the Joint Offerors may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Acceptance Form to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Important notice" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ausnutria.com) as long as the Offer remains open.

2 July 2015

CONTENT

The expected timetable set out below is indicative only and may be subject to change. Any change to the timetable will be announced by the Joint Offerors and the Company as and when appropriate. Unless otherwise specified, all times and dates contained in this Composite Document refer to Hong Kong local time and dates.

	2015
Despatch of this Composite Document and the accompanying Acceptance Form and commencement date of the Offer *(Note 1)*	Thursday, 2 July
Latest time and date for acceptance of the Offer on the First Closing Date *(Notes 2 and 4)*	4:00 p.m. on Thursday, 23 July
First Closing Date *(Notes 1 and 2)*	Thursday, 23 July
Announcement of the results of the Offer (or its extension or revision, if any) to be posted on the website of the Stock Exchange *(Note 2)*	by 7:00 p.m. on Thursday, 23 July
Latest date of posting of remittances in respect of valid acceptances received under the Offer by the First Closing Date (assuming the Offer becomes or is declared unconditional on such date) *(Notes 3 and 4)*	Monday, 3 August
Latest time and date for the Offer to remain open for acceptance (assuming the Offer becomes or is declared unconditional on the First Closing Date) *(Notes 4 and 5)*	4:00 p.m. on Thursday, 6 August
Final Closing Date of the Offer if the Offer becomes or is declared unconditional on the First Closing Date	Thursday, 6 August
Latest date of posting of remittances in respect of valid acceptances received under the Offer on or before 4:00 p.m. on Thursday, 6 August 2015, being the latest date on which the Offer remains open for acceptances assuming the Offer becomes or is declared unconditional in all respects on the First Closing Date *(Notes 3 and 5)*	Monday, 17 August
Latest time and date by which the Offer can become or be declared unconditional as to acceptances *(Note 6)*	7:00 p.m. on Tuesday, 1 September

Notes:

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Thursday, 2 July 2015 until the First Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "6. Right of withdrawal" in Appendix I to this Composite Document.

2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Thursday, 23 July 2015 unless the Joint Offerors revise or extend the Offer in accordance with the Takeovers Code. An announcement will be issued on the website of the Stock Exchange by 7:00 p.m. on Thursday, 23 July 2015 stating whether the Offer has been extended, revised or expired. In the event that the Joint Offerors decide to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be made to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of the date on which the Offer becomes or is declared unconditional and the date of the receipt of duly completed acceptances together with all the valid requisite documents by the Registrar from the Independent Shareholders accepting the Offer in accordance with the Takeovers Code.

   An acceptor of the Offer shall be entitled to withdraw its/his/her acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Document.

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force ant any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

5. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer. The Joint Offerors have the right, subject to the Takeovers Code, to extend the Offer until such date as they may determine or as permitted by the Executive.

6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day on which this Composite Document was posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptance, the Offer will lapse after 7:00 p.m. on Tuesday, 1 September 2015, unless extended with the consent of the Executive.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Joint Offerors and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Joint Offerors, the Company, Optima Capital, Asian Capital, Somerley Capital and the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see "F. Tax Implications" in the "Letter from Optima Capital" in this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Joint Offerors and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws.

In this Composite Document, the following expressions have the following meanings unless the context otherwise requires:

"Acceptance Form"	the acceptance form in respect of the Offer accompanying this Composite Document
"Acquisition"	the acquisition of the Sale Shares by the Joint Offerors from the Vendor pursuant to the Agreement
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Agreement"	the sale and purchase agreement dated 28 May 2015 entered into among the Joint Offerors, the Vendor, Ausnutria Holding, Mr. Wu, Mr. Yan and Mr. Lin in relation to, among other things, the Acquisition
"Asean BMPI"	Asean Bio&Medical Platform Investment, L.P., a limited partnership established in Korea, one of the Joint Offerors
"Asian Capital"	Asian Capital (Corporate Finance) Limited, a corporation licensed by the SFC to carry out 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, being the financial adviser to the Company
"associates"	has the meaning ascribed thereto under the Listing Rules (unless otherwise stated)
"Ausnutria (Dutch)"	Ausnutria Dairy (Dutch) Coöperatief U.A., a company incorporated under the laws of the Netherlands and an indirect wholly-owned subsidiary of the Company
"Ausnutria Holding"	Ausnutria Holding Co Ltd, a company incorporated in the BVI with limited liability and wholly-owned by Mr. Yan, an executive Director and chairman of the Company
"Ausnutria Hyproca"	Ausnutria Hyproca B.V., a company incorporated under the laws of the Netherlands with limited liability and a non-wholly-owned subsidiary of the Company

"Ausnutria Hyproca Agreement"	the share purchase agreement dated 12 January 2015 (as supplemented by a supplemental agreement dated 28 May 2015) entered into among DDI, PMH Investments B.V., Manids B.V., and Elbe B.V., the Company and Ausnutria (Dutch) in relation to the acquisition of the 49% of the issued share capital of Ausnutria Hyproca by Ausnutria (Dutch) at a consideration of HK$470,316,214
"Babyland"	Babyland Holdings Limited, a company incorporated in the BVI with limited liability, one of the Joint Offerors
"BioEngine Tech"	BioEngine Technology Development Inc.(玉晟管理顧問股份有限公司), a company incorporated in Taiwan with limited liability, and a non-wholly-owned subsidiary of Center Lab, one of the Joint Offerors
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Center Lab"	Center Laboratories, Inc.(晟德大藥廠股份有限公司), a company incorporated in Taiwan with limited liability, one of the Joint Offerors
"Company"	Ausnutria Dairy Corporation Ltd(澳優乳業股份有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange (Stock code: 1717)
"Completion"	completion of the Acquisition
"Completion Date"	the date on which Completion took place (i.e. 2 June 2015)

"Composite Document"	this composite offer and response document jointly issued by the Joint Offerors and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, information relating to the Joint Offerors, the terms and conditions of the Offer and the Acceptance Form
"Condition"	the condition to the Offer as set out under the paragraph headed "Condition to the Offer" in the "Letter from Optima Capital" in this Composite Document
"DDI"	Dutch Dairy Investments B.V., a private company incorporated under the laws of the Netherlands with limited liability
"Director(s)"	director(s) of the Company from time to time
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Fareast LD"	Fareast Land Development Co., Ltd (遠東建設事業股份有限公司), a company incorporated in Taiwan with limited liability, one of the Joint Offerors
"Final Closing Date"	either the First Closing Date (in case the Offer does not become unconditional on the First Closing Date) or Thursday, 6 August 2015 (in case the Offer becomes unconditional on the First Closing Date) or any such later date(s) as may be determined by the Joint Offerors and announced with the consent of the Executive
"First Announcement"	the announcement of the Company dated 21 January 2015 made pursuant to Rule 3.7 of the Takeovers Code in relation to the letter of intent dated 21 January 2015 entered into between, inter alia, the Vendor and Center Lab
"First Closing Date"	Thursday, 23 July 2015, being the first closing date of the Offer which is the first Business Day immediately after 21 days from the date on which this Composite Document was posted
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors (being Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas) established for the purpose of advising the Independent Shareholders in respect of the Offer
"Independent Financial Adviser" or "Somerley Capital"	Somerley Capital Limited, a corporation licensed by the SFC under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offer
"Independent Shareholders"	Shareholders other than (i) the Vendor, its associates and parties acting in concert with it; (ii) the Joint Offerors, their associates and parties acting in concert with any of them; and (iii) the Shareholders who have undertaken not to accept the Offer pursuant to the Irrevocable Undertakings
"Irrevocable Undertakings"	the irrevocable undertakings executed by certain Shareholders in respect of the Non-acceptance Shares
"Joint Announcement"	the joint announcement made by the Joint Offerors and the Company dated 10 June 2015, in relation to, among other things, the Agreement and the Offer
"Joint Offerors"	collectively, Center Lab, Fareast LD, Babyland, Yuanta I Venture, Yuanta Asia, Yuanta Securities, Asean BMPI, BioEngine Tech and Power Pointer
"Last Trading Day"	28 May 2015, being the last full trading day for the Shares immediately before publication of the Joint Announcement
"Latest Practicable Date"	29 June 2015 being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lin"	Mr. Lin Jung-Chin (林榮錦), an executive Director

"Mr. Wu"	Mr. Wu Yueshi (伍躍時), a Shareholder interested in approximately 4.30% of the issued share capital of the Company as at the Latest Practicable Date
"Mr. Yan"	Mr. Yan Weibin (顏衛彬), an executive Director and chairman of the Company who is interested in approximately 8.80% of the issued share capital of the Company as at the Latest Practicable Date
"Non-acceptance Shares"	the 257,895,870 Shares held by the Shareholders who have undertaken not to accept the Offer pursuant to the Irrevocable Undertakings
"Offer"	the mandatory conditional general cash offer made by Optima Capital on behalf of the Joint Offerors to acquire the Offer Shares on the terms and conditions set out in the "Letter from Optima Capital" in this Composite Document and in compliance with the Takeovers Code
"Offer Period"	the period commencing from 21 January 2015, being the date of the First Announcement, and ending on the Final Closing Date
"Offer Price"	HK$3.01 for each Offer Share payable by the Joint Offerors to the Independent Shareholders accepting the Offer
"Offer Share(s)"	all the Shares other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them and those held by certain Shareholders who have undertaken not to accept the Offer pursuant to the Irrevocable Undertakings
"Optima Capital"	Optima Capital Limited, a corporation licensed 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 under the SFO, being the financial adviser to the Joint Offerors
"Overseas Shareholder(s)"	Shareholder(s), whose addresses, as shown in the Register of Members, are outside of Hong Kong

"Power Pointer"	Power Pointer Limited (傑溢有限公司), a company incorporated in Hong Kong with limited liability, one of the Joint Offerors
"PRC"	the People's Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Register of Member"	the register of members of the Company
"Registrar"	Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, the branch registrar of the Company in Hong Kong
"Relevant Period"	the period commencing from 21 July 2014, being the date falling six months preceding the date of the commencement of the Offer Period, up to and including the Latest Practicable Date
"Sale Shares"	a total of 197,368,600 Shares (representing 20% of the entire issued share capital of the Company) acquired by the Joint Offerors from the Vendor pursuant to the Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stamp Duty Ordinance"	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Unconditional Date"	the date on which the Offer has become or is declared unconditional in all aspects
"Vendor"	Brave Leader Limited, a company incorporated in the BVI with limited liability
"Yuanta Asia"	Yuanta Asia Investment Limited (元大亞洲投資有限公司), a company incorporated in the BVI with limited liability, one of the Joint Offerors
"Yuanta I Venture"	Yuanta I Venture Capital Co., Ltd. (元大壹創業投資股份有限公司), a company incorporated in Taiwan with limited liability, one of the Joint Offerors
"Yuanta Securities"	Yuanta Securities (Hong Kong) Company Limited (元大證券(香港)有限公司), a company incorporated in Hong Kong with limited liability, one of the Joint Offerors
"Euro"	Euro, the legal currency of the member states of the European Union
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

OPTIMA CAPITAL

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

2 July 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL THE ISSUED SHARES OF AUSNUTRIA DAIRY CORPORATION LTD (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE JOINT OFFERORS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

A. INTRODUCTION

Reference is made to the Joint Announcement. On 28 May 2015, the Joint Offerors, the Vendor, Ausnutria Holding, Mr. Wu, Mr. Yan and Mr. Lin entered into the Agreement, pursuant to which the Vendor agreed to sell and the Joint Offerors agreed to acquire the Sale Shares, being 197,368,600 Shares in aggregate, representing 20% of the entire issued share capital of the Company for a total consideration of HK$594,079,486 (equivalent to HK$3.01 per Sale Share) excluding the applicable brokerage fee and levies. Completion took place on 2 June 2015. Immediately after Completion and as at the Latest Practicable Date, the Joint Offerors and parties acting in concert with any of them were interested in 474,809,050 Shares, representing approximately 48.11% of the existing issued share capital of the Company and pursuant to Rule 26.1 of the Takeovers Code, the Joint Offerors are required to make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them). Hence, we, Optima Capital, on behalf of the Joint Offerors, are making the Offer.

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offer, the information on the Joint Offerors and their intentions in relation to the Company. Further details of the Offer are also set out in Appendix I to this Composite Document and in the accompanying Acceptance Form. Your attention is also drawn to the letter from the Board on pages 20 to 24, the letter from the Independent Board Committee on pages 25 to 26 and the letter from Somerley Capital on pages 27 to 49 of this Composite Document before reaching a decision as to whether or not to accept the Offer.

B. MANDATORY CONDITIONAL GENERAL CASH OFFER

Principal terms of the Offer

We, Optima Capital, the financial adviser to the Joint Offerors, are making the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them) on behalf of the Joint Offerors in compliance with the Takeovers Code on the following basis.

For each Offer Share accepted under the Offer . . . . HK$3.01 in cash

The Offer extends to all Offer Shares. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Acceptance Form.

The Offer Price

The Offer Price of HK$3.01 per Offer Share equals the consideration per Sale Share under the Agreement. The Offer Price of HK$3.01 per Offer Share represents:

(i) a premium of approximately 23.36% over the closing price of HK$2.44 per Share as quoted on the Stock Exchange on 16 January 2015, being the last trading day prior to the commencement of the Offer Period;

(ii) a premium of approximately 2.38% over the closing price of HK$2.94 per Share as quoted on the Stock Exchange on 28 May 2015, being the Last Trading Day;

(iii) a discount of approximately 0.33% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five trading days up to and including the Latest Practicable Date of HK$3.02 per Share;

(iv) a discount of approximately 0.66% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten trading days up to and including the Latest Practicable Date of HK$3.03 per Share; and

(v) the closing price of HK$3.01 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest and the lowest closing prices of the Shares as quoted on the Stock Exchange on the trading days during the Relevant Period were HK$3.08 per Share on 15 June 2015, 12 June 2015 and 11 June 2015 and HK$2.13 per Share on 11 August 2014, respectively.

Value of the Offer

As at the Latest Practicable Date, there were 986,843,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares. Save for the 147,459,300 new Shares to be issued by the Company to DDI upon completion of the Ausnutria Hyproca Agreement which will not take place before the close of the Offer (details of which are set out in the announcements of the Company dated 12 January 2015 and 28 May 2015), the Company has not entered into any agreement for the issue of any Shares or options, warrants, derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares.

Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to the First Closing Date or Final Closing Date and based on the Offer Price of HK$3.01 per Offer Share, the entire issued share capital of the Company is 986,843,000 Shares which is valued at HK$2,970,397,430. Excluding 474,809,050 Shares held by the Joint Offerors and parties acting in concert with any of them and 257,895,870 Non-acceptance Shares (details of which are set out in the paragraph headed "The Irrevocable Undertakings" below), a total of 254,138,080 Shares will be subject to the Offer. Accordingly, the Offer is valued at HK$764,955,621 based on the Offer Price of HK$3.01 per Offer Share.

The Irrevocable Undertakings

The following Shareholders have executed the Irrevocable Undertakings whereby they have undertaken not to accept the Offer in respect of the Non-acceptance Shares:

Controlling shareholder/Beneficial owner	Shareholders	Date of the Irrevocable Undertakings	Non-acceptance Shares	Approximate percentage of the issued Shares
Mr. Peng Shengwen	China Ally Limited	26 May 2015	17,618,000	1.78
	Mr. Peng Shengwen	26 May 2015	26,954,000	2.73
Ms. Hong Hong	Ms. Hong Hong	25 May 2015	11,972,000	1.21
ShenZhen GTJA Investment Group Co., Ltd.	Top Class Trading Limited	25 May 2015	33,336,000	3.38
Mr. Cai Dajian	Topgold Assets Management Limited	25 May 2015	10,391,920	1.05
Mr. Pan Shuiming	Ever Win (Asia Limited)	25 May 2015	2,140,000	0.22
	Irene & Maya International (Group) Co., Ltd.	25 May 2015	4,000,000	0.41
	Yiree Holding Inc.	25 May 2015	1,575,000	0.16
	Mr. Pan Shuiming	25 May 2015	13,642,000	1.38
Mr. Tang Dongyuan	Mr. Tang Dongyuan	26 May 2015	7,016,000	0.71
Mr. Wu	The Vendor	27 May 2015	42,445,500	4.30
Mr. Yan	Ausnutria Holding	27 May 2015	86,805,450	8.80
Total			257,895,870	26.13

Each of the Shareholders who undertakes not to accept the Offer above has executed the Irrevocable Undertakings respectively in favour of the Joint Offerors, pursuant to which he/she/it has irrevocably and unconditionally undertaken that unless and until the Offer closes, lapses or is withdrawn, he/she/it will not directly or indirectly:

(i) dispose of all or any of the Non-acceptance Shares respectively or any interest therein; nor

(ii) acquire any shares or other securities in the Company or any interest therein; nor

(iii) convene any meeting of the members of the Company in any capacity as a shareholder provided that this provision (iii) shall not apply if and to the extent the SFC deems it to have the effect of transferring general control of the voting rights in the Non-acceptance Shares; nor

(iv) in the event that any person other than the Joint Offerors and parties acting in concert with any of them announces a firm intention to make an offer to acquire all of the share capital of the Company (a "**Competing Offer**"), exercise (or procure the exercise of) any voting rights attaching to the Non-acceptance Shares or execute (or procure the execution of) any forms of proxy in respect of the Non-acceptance Shares so as to vote for and/or accept the Competing Offer; nor

(v) enter into any agreement, arrangement or obligation or permit any agreement, arrangement or obligation to be entered into in relation to the Non-acceptance Shares with any person whether conditional or unconditional to do all or any of the acts referred to from (i) to (iv) above.

In the event that the above Shareholders do acquire any Shares, securities or interests in the Company or rights therein, such Shares, securities, or interests shall be deemed to be included in the definition of Non-acceptance Shares.

Financial resources available to the Joint Offerors

Each of Joint Offerors will acquire the Shares tendered for acceptance by the Independent Shareholders pursuant to and in accordance with the terms of the Offer and will pay for the Shares tendered under the Offer according to the following proportion.

Joint Offerors	**% of the Offer**	**Amount required** *(HK$)*
Center Lab	37.33	285,550,819
Fareast LD	21.58	165,046,633
Babyland	20.06	153,487,428
Yuanta I Venture	6.06	46,377,740
Yuanta Asia	2.06	15,762,888
Yuanta Securities	1.31	10,004,286
Asean BMPI	3.01	22,988,357
BioEngine Tech	4.28	32,771,696
Power Pointer	4.31	32,965,774
Total	100.00	764,955,621

Center Lab intends to finance and satisfy the cash consideration payable under the Offer as to approximately HK$106.9 million by cash from its internal resources and approximately HK$178.7 million by a banking facility up to approximately HK$525.0 million jointly granted by Taiwan Cooperative Bank, Chang Hwa Bank, Taiwan Business Bank, Taishin International Bank, The Shanghai Commercial & Savings Bank, Ltd., Agricultural Bank of Taiwan, The Bank of Taiwan and Ta Chong Bank, Ltd. to Center Lab (the "**Facility**"). The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, the Facility will not depend to any significant extent on the business of the Group. Save for the above, each of the other Joint Offerors intends to finance and satisfy the cash consideration payable under the Offer by cash from its internal resources. Optima Capital, the financial adviser to the Joint Offerors, is satisfied that there are sufficient financial resources available to the Joint Offerors to satisfy the amount of funds required for full acceptance of the Offer.

Condition to the Offer

The Offer is conditional on valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the date of which the Offer closes (or such later time or date as the Joint Offerors may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned by the Joint Offerors and parties acting in concert with any of them and acquired or agreed to be acquired before or during the Offer, will result in the Joint Offerors and parties acting in concert with any of them holding more than 50% of the voting rights of the Company in accordance with the Takeovers Code.

Close of the Offer

The Joint Offerors will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the Condition in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Joint Offerors can declare the Offer unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent).

Effect of accepting the Offer

The Offer is conditional. Subject to the Offer becoming unconditional, the Offer is made on the basis that acceptance of the Offer by any person will constitute a warranty by such person or persons to the Joint Offerors that the Shares acquired under the Offer are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

The Offer will be made in compliance with the Takeovers Code which is administered by the Executive.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance, will be deducted from the cash amount payable to the Shareholders who accept the Offer. The Joint Offerors will then pay the buyer's ad valorem stamp duty so deducted on its own behalf. The Joint Offerors will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance.

Payment

Subject to the Offer having become, or has been declared, unconditional in all respects, settlement of the consideration in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the relevant documents of title are received by the Joint Offerors or their agent acting on their behalf to render each such acceptance complete and valid, or the Unconditional Date, whichever is later.

Return of documents

If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within ten (10) days after the Offer has lapsed.

Overseas Shareholders

The Joint Offerors intend to make the Offer available to all Shareholders including the Overseas Shareholders. The availability of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should observe any applicable legal requirements and, where necessary, seek independent legal advice.

In the event that the receipt of this Composite Document by Overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, this Composite Document, subject to the Executive's consent, will not be despatched to the Overseas Shareholders. The Joint Offerors will apply for any waiver as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any arrangements for Overseas Shareholders to collect this Composite Document will be set forth in a further announcement.

It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders of the Offer will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Joint Offerors that all applicable local laws and requirements have been complied with. Overseas Shareholders who are in doubt as to the action they should take should consult their stockbrokers, licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

The Joint Offerors will comply with the requirements of the Takeovers Code in respect of the Overseas Shareholders.

WARNING: THE OFFER IS CONDITIONAL. IF THE TOTAL NUMBER OF SHARES IN RESPECT OF WHICH THE JOINT OFFERORS HAVE RECEIVED, AT OR BEFORE 4:00 P.M. ON THE FIRST CLOSING DATE (OR SUCH OTHER TIME AS THE JOINT OFFERORS MAY, SUBJECT TO THE TAKEOVERS CODE, DECIDE), VALID ACCEPTANCES UNDER THE OFFER TOGETHER WITH THE SHARES ACQUIRED BEFORE OR DURING THE OFFER, WILL RESULT IN THE JOINT OFFERORS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM HOLDING 50% OR LESS OF THE VOTING RIGHTS OF THE COMPANY, THE OFFER WILL NOT BECOME UNCONDITIONAL.

C. MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Joint Offerors intend the Company to remain listed on Main Board of the Stock Exchange after close of the Offer. The directors of the Joint Offerors and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. The Joint Offerors do not intend to exercise its right which may be available to it to compulsory acquire the remaining Shares after the close of the Offer.

D. INFORMATION ON THE JOINT OFFERORS

(i) Center Lab, BioEngine Tech and Asean BMPI

Center Laboraties, Inc. was founded in 1959 and is a company incorporated under the laws of Taiwan with limited liability. The shares of Center Lab have been listed on the GreTai Securities Market in Taiwan (stock code: 4123) since 2003. Center Lab is an industrial biotechnological company which specializes in manufacturing liquid oral drugs formulations for infants, children, the elderly and special care patients. Mr. Lin, an executive Director, is the chairman of Center Lab and the largest shareholder of Center Lab through his holdings of approximately 13.00% equity interests (direct and indirect) in Center Lab. The remaining 87.00% of issued shares of Center Lab are held as to 5.23% by the directors of Center Lab, 12.54% by a substantial shareholder of Center Lab and 69.23% by public shareholders. Reference is made to the announcement of the Company dated 16 June 2015 relating to the indictment issued by Taipei District Prosecutors Office against Mr. Lin, as a defendant, in relation to an alleged breach of articles 171(1)(2) and 171(1)(3) of the Securities and Exchange Act in Taiwan (the "**Indictment**") in connection with a company in which Mr. Lin previously served as the chairman. Center Lab submits that, based on the legal memorandum prepared by Jones Day for Center Lab dated 18 June 2015, Center Lab is not stated to be a party to the prosecution against Mr. Lin and therefore at present it is not contemplated that such Indictment will result in civil liability by virtue of Center Lab being unable to perform its obligations.

BioEngine Technology Development Inc. is a company incorporated in Taiwan with limited liability. It is a non-wholly-owned subsidiary of Center Lab. Its principal business is investment consulting and management consulting.

Asean Bio&Medical Platform Investment, L.P. is a limited partnership established in Korea. The contribution comprises capital commitment of 50% by the Korea Development Bank (which in turn is wholly owned by the Government of Republic of Korea) as special partner, 30% by Centerlab Investment Holding Limited (which is a wholly-owned subsidiary of Center Lab) as limited partner, 18.33% by M-Venture Investment, Inc. as general partner and 1.67% by Korea Fund of Funds as special partner. The purpose of the partnership is to invest and operate its assets, distribute profits therefrom to the partners above for the promotion of small and medium business and the sound development of national economy in Korea.

(ii) Other Joint Offerors

Babyland Holdings Limited is a company incorporated in the BVI with limited liability. It is wholly owned by Chengwei Evergreen Capital, L.P.. Its principal business is venture capital.

Fareast Land Development Co., Ltd is a company incorporated in Taiwan with limited liability. It is wholly owned by 信宇投資股份有限公司 (Shin Yu Investment Ltd.), which in turn, is 80.84% owned by Mr. Chao Teng-Hsiung. Its principal business is land development and investment.

Power Pointer Limited is a company incorporated in Hong Kong with limited liability. It is wholly owned by China Consumer Fund, L.P., which is a Cayman Islands exempted limited partnership, dedicated in private equity investment in consumer-related sectors in Greater China including but not limited to food and beverage, agriculture and environmental protection etc.

Yuanta I Venture Capital Co., Ltd. is a company incorporated in Taiwan with limited liability. Its principal business is venture capital. It is wholly owned by Yuanta Venture Capital Co. Ltd, a company which is wholly owned by Yuanta Financial Holding Co., Ltd.

Yuanta Asia Investment Limited is a company incorporated in the BVI with limited liability. It is wholly owned by Yuanta Securities Asia Financial Services Limited, a company which is indirectly wholly owned by Yuanta Financial Holding Co., Ltd. Its principal business is direct investment, investment management and investment advisory.

Yuanta Securities (Hong Kong) Company Limited is a company incorporated in Hong Kong with limited liability, a company which is indirectly wholly owned by Yuanta Financial Holding Co., Ltd. It is wholly owned by Yuanta Securities Asia Financial Services Limited. Yuanta Securities (Hong Kong) Company Limited is a licensed corporation registered with the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and is committed to provide comprehensive services in the aspects of corporate finance, asset management and brokerage services to clients.

The ultimate parent company of Yuanta I Venture Capital Co. Ltd., Yuanta Asia Investment Limited and Yuanta Securities (Hong Kong) Company Limited is Yuanta Financial Holding Co., Ltd., which is a listed company in Taiwan (stock code: 2885). Yuanta I Venture Capital Co. Ltd., Yuanta Asia Investment Limited and Yuanta Securities (Hong Kong) Company Limited held an aggregate of 12,631,590 Shares as at the Latest Practicable Date (representing approximately 1.28% of the issued share capital of the

Company as at the Latest Practicable Date) and they consider themselves as the passive investors of the Group, and they currently do not and will not involve in the management of the businesses of the Group upon the close of the Offer.

Further information on the Joint Offerors is set out in Appendix IV to this Composite Document.

E. INTENTION OF THE JOINT OFFERORS IN RELATION TO THE GROUP

Following the close of the Offer, the Joint Offerors intend that the Group will continue its existing principal activities. The Joint Offerors do not intend to introduce any major changes to the existing operation and business of the Company immediately after the Offer. As at the Latest Practicable Date, the Joint Offerors have no intention to dispose of assets and/or business of the Group other than in the ordinary and usual course of its business, nor any plan to terminate the employment of any employees or other personnel of the Group.

The Group's future development could benefit from the support of Center Lab, the controlling shareholder (as defined under the Listing Rules) of the Company after Completion. The acquisition by Center Lab of a controlling stake in the Company would benefit the Group as Center Lab will leverage on its management expertise with a view to creating long-term value for the Shareholders. Mr. Lin, the single largest shareholder and chairman of Center Lab, was appointed as an executive Director on 12 December 2014, and is responsible for the strategic development of the Group.

As at the Latest Practicable Date, the Board comprised four executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Joint Offerors did not intend to nominate any new Directors to the Board immediately after the Offer. Any changes to the Board composition (if any) will be announced by the Company as and when appropriate in compliance with the Listing Rules.

F. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Joint Offerors and parties acting in concert with any of them, the Company, Optima Capital, Asian Capital, Somerley Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

G. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Acceptance Form.

H. GENERAL INFORMATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas Shareholders is drawn to the section headed "Important Notice" contained in this Composite Document and the paragraph headed "7. Overseas Shareholders" in Appendix I to this Composite Document.

All documents and remittances sent to the Independent Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the Register of Member or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the Register of Member. None of the Joint Offerors and parties acting in concert with any of them, the Company, Optima Capital, Asian Capital, Somerley Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

I. ADDITIONAL INFORMATION ABOUT THE OFFER

Your attention is also drawn to the additional information set out in the appendices to this Composite Document and the Acceptance Form, which form part of this Composite Document. In addition, your attention is drawn to the letter from the Board on pages 20 to 24 of this Composite Document, the letter from the Independent Board Committee on pages 25 to 26 of this Composite Document and the letter from Somerley Capital on pages 27 to 49 of this Composite Document in relation to their respective recommendations and advice with respect to the Offer.

Yours faithfully
For and on behalf of
Optima Capital Limited
Benny Ng
Director

澳优·海普诺凯 Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD

澳 優 乳 業 股 份 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

Executive Directors
Mr. Yan Weibin *(Chairman)*
Mr. Lin Jung-Chin
Mr. Bartle van der Meer *(Chief Executive Officer)*
Ms. Ng Siu Hung

Independent non-executive Directors
Mr. Qiu Weifa
Mr. Jason Wan
Mr. Lau Chun Fai Douglas

Registered Office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of business
In Mainland China
8th Floor, XinDaXin Building A
No. 168 Huangxing Middle Road
Changsha City, Hunan Province, the PRC

In Hong Kong
Room 2101, Beautiful Group Tower
77 Connaught Road Central
Central
Hong Kong

In the Netherlands
Burgemeester Falkenaweg 58-1 (8442LE),
Heerenveen, the Netherlands

2 July 2015

To the Independent Shareholders

Dear Sirs,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL THE ISSUED SHARES OF AUSNUTRIA DAIRY CORPORATION LTD (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE JOINT OFFERORS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

INTRODUCTION

Reference is made to the Joint Announcement in which the Joint Offerors and the Company jointly announced that the Joint Offerors propose to make a mandatory conditional general cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them).

Optima Capital, on behalf of the Joint Offerors, is making a mandatory conditional general cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them).

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas, has been established to make recommendations to the Independent Shareholders as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

Somerley Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

THE MANDATORY CONDITIONAL GENERAL CASH OFFER

The following information about the Offer is based on the letter from Optima Capital contained in this Composite Document.

The Offer is being made by Optima Capital on behalf of the Joint Offerors on the terms and conditions set out in this Composite Document and in the accompanying Acceptance Form on the following basis:

Principal terms of the Offer

Optima Capital, the financial adviser to the Joint Offerors, is making the Offer to acquire the Offer Shares on behalf of the Joint Offerors in compliance with the Takeovers Code on the following basis.

For each Offer Share accepted under the Offer . . . . HK$3.01 in cash

The Offer extends to all Offer Shares. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, options, claims, equities, adverse interests, third party rights, or encumbrances whatsoever and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

Shareholders are advised to refer to the letter from Optima Capital, Appendix I to this composite Document and the accompanying Acceptance Form for further details and procedures for acceptance and settlement of the Offer.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date is set out below:

	As at the Latest Practicable Date	
	Number of Shares	*Approximate %*
Center Lab	258,528,969	26.20
BioEngine Tech *(Note 1)*	15,587,689	1.58
Asean BMPI *(Note 2)*	3,947,372	0.40
BioEngine Capital Inc. *(Note 1)*	123,355,375	12.50
Ms. Lin O, Li-chu *(Note 3)*	498,000	0.05
Mr. Lin Wei-Hsuan *(Note 4)*	260,000	0.02
Sub-total of Center Lab and parties acting in concert with it	402,177,405	40.75
The Joint Offerors (other than Center Lab, BioEngine Tech and Asean BMPI) *(Notes 5 & 8)*	72,631,645	7.36
Total Shares held by the Joint Offerors and parties acting in concert with any of them	474,809,050	48.11
The Vendor *(Note 6)*	42,445,500	4.30
Ausnutria Holding *(Note 7)*	86,805,450	8.80
Other Shareholders	382,783,000	38.79
Total	986,843,000	100.00
Public Shareholders *(Note 8)*	498,120,145	50.47

Notes:

1. Both BioEngine Capital Inc. and BioEngine Tech are non-wholly-owned subsidiaries of Center Lab.

2. Asean BMPI, a limited partnership, with capital contributed as to 30% by Centerlab Investment Holding Limited (a wholly-owned subsidiary of Center Lab) as a limited partner.

3. Ms. Lin O, Li-Chu is the spouse of Mr. Lin, an executive Director.

4. Mr. Lin Wei-Hsuan is the son of Mr. Lin, an executive Director.

5. The Joint Offerors (other than Center Lab, BioEngine Tech and Asean BMPI) include Fareast LD, Babyland, Yuanta I Venture, Yuanta Asia, Yuanta Securities and Power Pointer.

6. The Vendor is owned as to 56.54% by Jiashi Enterprises Limited, 8.34% by Douhui Limited and 35.12% by Macro View Ventures Limited, which are wholly-owned by Mr. Wu, Ms. Xiong Fanyi, the spouse of Mr. Wu, and Ms. Wu Xingxing, the elder sister of Mr. Wu, respectively.

7. Ausnutria Holding is wholly-owned by Mr. Yan, an executive Director and chairman of the Company.

8. Public shareholding of 498,120,145 Shares includes 260,000 Shares held by Mr. Lin Wei-Hsuan, 42,445,500 Shares held by the Vendor, 72,631,645 Shares held by the Joint Offerors (other than Center Lab, BioEngine Tech and Asean BMPI) and 382,783,000 Shares held by other Shareholders as at the Latest Practicable Date.

INFORMATION ON THE JOINT OFFERORS

Your attention is drawn to the section headed "Information on the Joint Offerors" in the "Letter from Optima Capital" contained in this Composite Document for details.

INFORMATION ON THE GROUP

The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

Your attention is drawn to the financial information of the Group set out in Appendix II to this Composite Document.

THE JOINT OFFERORS' INTENTION REGARDING THE COMPANY

Your attention is drawn to the section headed "Intention of the Joint Offerors in relation to the Group" in the "Letter from Optima Capital" contained in this Composite Document for details.

The Board fully notes and understands the intention of the Joint Offerors, which is set out under the section headed "Intention of the Joint Offerors in relation to the Group" in the "Letter from Optima Capital" contained in this Composite Document, the Joint Offerors do not intend to introduce any major changes to the existing operation and business of the Company immediately after the Offer. As at the Latest Practicable Date, the Joint Offerors had no intention to dispose of assets and/or business of the Group other than in the ordinary and usual course of its business, nor any plan to terminate the employment of any employees or other personnel of the Group.

The Board will co-operate and provide support to the Joint Offerors as regards to the Joint Offerors' intention regarding the Group and will continue to act in the best interests of the Group and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Joint Offerors intend the Company to remain listed on Main Board of the Stock Exchange after close of the Offer. The directors of the Joint Offerors and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. The Joint Offerors do not intend to exercise its right which may be available to it to compulsory acquire the remaining Shares after the close of the Offer.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document which contains the recommendation of the Independent Board Committee in respect of the Offer. Your attention is also drawn to the letter from Somerley Capital set out in this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offer and the principal factors and reasons it has considered before arriving at its advice.

ADDITIONAL INFORMATION

Please refer to the letter from Optima Capital set out in this Composite Document as well as the appendices to this Composite Document and the accompanying Acceptance Form for information relating to the Offer, the acceptance, settlement procedures of the Offer and the making of the Offer to the Shareholders and its related taxation.

Yours faithfully,
For and on behalf of the Board of
Ausnutria Dairy Corporation Ltd
Yan Weibin
Chairman

澳优·海普诺凯
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

2 July 2015

To the Independent Shareholders

Dear Sirs,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL THE ISSUED SHARES OF AUSNUTRIA DAIRY CORPORATION LTD (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE JOINT OFFERORS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

We refer to the Composite Document dated 2 July 2015 jointly issued by the Joint Offerors and the Company to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer.

Somerley Capital has been appointed as the Independent Financial Adviser to advise us in respect of the Offer. Your attention is drawn to the "Letter from Somerley Capital" set out on pages 27 to 49 of this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

We also wish to draw your attention to the "Letter from Optima Capital" set out on pages 8 to 19 of this Composite Document, the "Letter from the Board" on pages 20 to 24 of this Composite Document and the appendices to this Composite Document.

Having taken into account the advice of Somerley Capital, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the "Letter from Somerley Capital". Notwithstanding our recommendation, the Independent Shareholders are reminded that the decision to realise or to hold your investment in the Shares is subject to individual circumstances and investment objectives and you should carefully and closely monitor the market price of the Shares in deciding whether to accept the Offer and/or dispose of the Shares in the open market.

Yours faithfully,
For and on behalf of the Independent Board Committee of
Ausnutria Dairy Corporation Ltd

Mr. Qiu Weifa **Mr. Jason Wan** **Mr. Lau Chun Fai Douglas**

Independent non-executive Directors

The following is the full text of a letter of advice from Somerley Capital to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

2 July 2015

To: The Independent Board Committee of
Ausnutria Dairy Corporation Ltd

Dear Sirs,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL THE ISSUED SHARES OF AUSNUTRIA DAIRY CORPORATION LTD (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE JOINT OFFERORS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the mandatory conditional general cash offer by Optima Capital Limited for and on behalf of the Joint Offerors to acquire all the issued Shares of Ausnutria Dairy Corporation Ltd (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them). Details of the Offer are set out in this Composite Document to the Independent Shareholders dated 2 July 2015, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

Pursuant to the Agreement dated 28 May 2015 entered into among, *inter alia*, the Joint Offerors, the Vendor, Ausnutria Holding, Mr. Wu, Mr. Yan and Mr. Lin, the Vendor agreed to sell and the Joint Offerors agreed to acquire the Sale Shares, being 197,368,600 Shares in aggregate, representing 20% of the entire issued share capital of the Company. The total consideration for the Sale Shares is HK$594,079,486 (equivalent to HK$3.01 per Share) excluding the applicable brokerage and levies. Completion took place on 2 June 2015 after the settlement of the consideration of HK$594,079,486 by the Joint Offerors to the Vendor in cash at Completion.

Immediately after Completion and as at the Latest Practicable Date, the Joint Offerors and parties acting in concert with any of them are interested in an aggregate of 474,809,050 Shares, representing approximately 48.11% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Joint Offerors are required to make the Offer for all the issued Shares other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them. As of the Latest Practicable Date, the Company has 986,843,000 Shares in issue and there are no securities carrying conversion or subscription rights into any Shares or any options or derivatives in respect of the foregoing.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Lau Chun Fai Douglas, has been established to advise the Independent Shareholders in connection with the Offer. The Independent Board Committee has approved the appointment of Somerley Capital as the independent financial adviser to the Independent Board Committee in the same regard.

We are not associated or connected with the Company or each of the Joint Offerors, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment and our appointment by the Company to advise the independent board committee of the Company in connection with the Hyproca Acquisition (as defined below), no arrangement exists whereby we will receive any fees or benefits from the Company or the Joint Offerors, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the "**Management**"), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual reports of the Company for the years ended 31 December 2013 (the "**2013 Annual Report**") and 31 December 2014 ("**2014 Annual Report**") and other information contained in this Composite Document. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. The Company will notify the Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible throughout the offer period (as defined under the Takeovers Code). We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in this Composite Document are true at the time they were made and at the date of this Composite Document and Shareholders will be notified of any material changes as soon as possible, if any.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

The Offer

Optima Capital is, on behalf of the Joint Offerors, making the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . HK$3.01 in cash

The Offer Price of HK$3.01 per Offer Share equals the purchase price per Sale Share paid by the Joint Offerors under the Agreement. The Offer is conditional on valid acceptance of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on date of which the Offer closes (or such later time or date as the Joint Offerors may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned by the Joint Offerors and parties acting in concert with any of them and acquired or agreed to acquire before or during the Offer, will result in the Joint Offerors and parties acting in concert with any of them holding more than 50% of the voting rights of the Company in accordance with the Takeovers Code.

Details of the terms of the Offer are contained in the letter from Optima Capital and Appendix I to this Composite Document. Independent Shareholders are urged to read the relevant sections in this Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Information on the Group

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The Shares have been listed on the Stock Exchange since 8 October 2009.

The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

The operations of the Group in the PRC are conducted mainly through Ausnutria Dairy (China) Co. Ltd. ("**Ausnutria China**"), a wholly-owned subsidiary of the Group, which is principally engaged in the production, marketing and distribution of imported paediatric cow milk formula in the PRC under a number of paediatric milk powder brands such as Allnutria, Puredo and the Hyproca 1897 series. The production of cow milk paediatric milk powder of Ausnutria China are out-sourced to overseas manufacturers including the Ausnutria Hyproca and its subsidiaries (the "**Ausnutria Hyproca Group**") as well as other independent third-party suppliers from France, Denmark, Australia and New Zealand. Ausnutria China also procures pre-manufactured bulk-bag or finished form milk powder which is manufactured from the Group's specified formula or which undergoes further processing at the production facility of Ausnutria China in Changsha, before it is sold to end customers.

The Group's operations in the Netherlands and other overseas countries are conducted through Ausnutria Hyproca, which is currently a non-wholly-owned subsidiary held as to 51% interests by the Group. The Company acquired the 51% equity interests in Ausnutria Hyproca in 2011. The Ausnutria Hyproca Group is principally engaged in the dairy industry through research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries, and it sells the dairy products under its own brands, namely Kabrita for goat infant formula, and Neolac for cow infant formula, as well as under private label and contract manufacturing arrangements. The Ausnutria Hyproca Group also supplies cow infant formula to Ausnutria China under the brand names namely the New Allnutria, Hyproca 1897 and Lacfor. As advised by the Management, supply from the Ausnutria Hyproca Group accounted for approximately 18.0% and 25.1% of Ausnutria China's total consumption of cow infant formula in the financial years ended 31 December 2013 ("**FY2013**") and 2014 ("**FY2014**") respectively. On 12 January 2015, DDI, Ausnutria

(Dutch) (an indirect wholly-owned subsidiary of the Company and as the purchaser, the Company, and PMH Investment B.V., Manids B.V., and Elbe B.V., (all being the shareholders of DDI, the "**DDI Shareholders**")) entered into the Ausnutria Hyproca Agreement pursuant to which DDI agreed to sell and Ausnutria (Dutch) agreed to purchase the Sale Shares, representing 49% of the issued share capital of Ausnutria Hyproca, an indirect 51%-owned subsidiary of the Company (the "**Hyproca Acquisition**"). On 28 May 2015, DDI, Ausnutria (Dutch), the Company and the DDI Shareholders entered into a supplemental agreement to amend certain terms of the Ausnutria Hyproca Agreement including, among other things, the consideration for the Hyproca Acquisition. Upon completion of the Ausnutria Hyproca Agreement, Ausnutria Hyproca will become an indirect wholly-owned subsidiary of the Company. Details of the Ausnutria Hyproca Agreement are set out in the announcements dated 12 January 2015 and 28 May 2015, and the circular dated 30 June 2015 (the "**Hyproca Acquisition Circular**") of the Company. As at the Latest Practicable Date, the Hyproca Acquisition has yet completed.

The Group currently has four production facilities: one in the PRC and three in the Netherlands. The production facility in Changsha, the PRC is primarily engaged in the dry blending and packaging of imported paediatric milk formula for sale in the PRC. The production facilities in the Netherlands are primarily engaged in the production of milk powder and other dairy products, such as butter and cream, as well as the blending and packaging of milk powder (including paediatric milk formula) for sale to worldwide customers.

In view of the continuous increase in the demand for paediatric nutrition products from customers in the Netherlands and other overseas countries and the growing revenue contribution of the Netherlands operations conducted by the Ausnutria Hyproca Group, the Group has carried out a series of capital expenditure activities including the capital plan to upgrade two milk powder spray towers and purchase new machinery to increase the Ausnutria Hyproca Group's blending and packaging capacity (the "**CAPEX Plan**") and the acquisition of a parcel of land in Heerenveen, the Netherlands, with a total area measuring approximately 140,000 square meters for the construction of a new factory (the "**Factory Investment Plan**") in the Netherlands. In the meantime, to ensure a stable future supply of quality cow and goat milk for the production of dairy products, the Group, through the Ausnutria Hyproca Group, recently completed the acquisition of 100% equity interest in Sanimel B.V. (the "**Sanimel Acquisition**") and invested in 50% of the equity interest in Farmel Holding B.V. (the "**Farmel Investment**"). Further details on the CAPEX Plan, the Factory Investment Plan, the Sanimel Acquisition and the Farmel Investment are set out in the 2014 Annual Report.

(a) Historical financial performance of the Group

Set out below are certain key financial information on the Group as extracted from the consolidated statement of profit or loss and other comprehensive income for the three years ended 31 December 2014, details of which are set out in the 2013 Annual Report and the 2014 Annual Report:

	For the year ended 31 December		
	2014	**2013**	**2012**
	(audited)	**(audited)**	**(audited)**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
– Ausnutria China Segment	575,560	586,602	486,677
– Ausnutria Hyproca Segment	1,390,487	1,101,179	864,319
	1,966,047	1,687,781	1,350,996
Cost of sales	(1,398,842)	(1,216,026)	(1,024,803)
Gross profit	567,205	471,755	326,193
Profit before tax	137,273	157,795	85,405
Income tax expense	(20,552)	(30,930)	(17,388)
Profit for the year	116,721	126,865	68,017
Profit for the year attributable to:			
– Owners of the Company	90,219	120,705	66,490
– Non-controlling interests	26,502	6,160	1,527

The Group has two reportable operating segments: the Ausnutria China segment (the "**Ausnutria China Segment**") representing the operation carried on by Ausnutria China which comprises the manufacture and sale of own-branded paediatric cow milk formula products in the PRC and Hong Kong; and (b) the Ausnutria Hyproca segment (the "**Ausnutria Hyproca Segment**") representing the operation carried on by Ausnutria Hyproca Group which comprises the manufacture of dairy products in the Netherlands for sale to its worldwide customers as well as its own-branded products in the PRC and other overseas countries.

The Group's revenue from the Ausnutria China Segment amounted to approximately RMB586.6 million in FY2013, which accounted for approximately 34.8% of total revenue for FY2013 and represented a growth of approximately 20.5% from that for the financial year ended 31 December 2012 ("**FY2012**") which was, as discussed in the 2013 Annual Report, in line with the continuous increase in demand of infant milk formula in the PRC, particularly those imported from the overseas. As disclosed in the 2014 Annual Report, the Group's revenue from the Ausnutria China Segment amounted to approximately RMB575.6 million, which accounted for approximately 29.3% of total revenue for FY2014 and represented a slight decrease of approximately 1.9% as compared with that for FY2013. Such decrease in revenue was mainly due to decrease in sales from the Allnutria division as a result of the suspension of the sale of old Allnutria series products before the launch of new Allnutria products in response to the implementation of the New Policies (as defined below) by the PRC government so as to maintain the industry's healthy growth and improve quality and safety standards in paediatric milk formula. The Group's revenue from the Ausnutria Hyproca Segment amounted to approximately RMB1,101.2 million which accounted for around 65.2% of total revenue for FY2013 and represented an increase of approximately 27.4% as compared with that in FY2012. The Group's revenue from the Ausnutria Hyproca Segment further increased to approximately RMB1,390.5 million in FY2014, which accounted for around 70.7% of total revenue for FY2014 and represented an increase of approximately 26.3% as compared with that in FY2013. Such increase was mainly attributable to, among other things, (i) the continuous increase in the revenue of Kabrita, the Group's own brand, in the PRC; (ii) the increase in production volume due to the increase in production capacity after the CAPEX Plan was substantially completed in the first half of FY2014; and (iii) the continuous increase in the demand for paediatric nutrition products from the customers in the Netherlands and other overseas countries due to the increasing recognition of the good quality of milk supply in the Netherlands and the reputation of good quality products delivered by the Ausnutria Hyproca Group that was built up since the establishment in 1897.

The gross profit of the Group amounted to approximately RMB326.2 million in FY2012, which increased to approximately RMB471.8 million in FY2013 and further increased to RMB567.2 million in FY2014. The gross profit margin of the Group increase from approximately 24.1% in FY2012 and to approximately 28.0% in FY2013 and further increase to around 28.9% in FY2014 which was mainly attributable to the proportionate increase in sales contributed by its own branded business, mainly Kabrita, despite the increase in rebate granted to distributors and consumers for the digestion of old version Allnutria inventories prior to the launch of new Allnutria products.

The Group's net profit for FY2013 amounted to approximately RMB126.9 million, representing a substantial increase of approximately 86.5% when compared with the FY2012 which was mainly contributed by the growth in the operating performance of the Ausnutria China Segment as a result of the increasing in market demand of import infant milk powder from the PRC. Despite the improved revenue and gross profit, the profit for the year decreased from approximately RMB126.9 million in FY2013 to approximately RMB116.7 million in FY2014, represented a drop of approximately 8.0%, which was mainly attributable to (i) the significant increase in selling and distribution expenses for the setting up of the two sales divisions, namely the Puredo division and the 1897 division by Ausnutria China, for the launch of new series of cow milk infant formula, (ii) the additional marketing and promotion costs for the sponsoring of various TV programs in the PRC; and (iii) the increase in resources allocated to the marketing and promotion of Kabrita products.

(b) Financial position of the Group

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2013 and 2014 as extracted from the 2014 Annual Report:

	As at 31 December	
	2014	**2013**
	(audited)	**(audited)**
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	483,162	360,996
Goodwill	75,713	85,495
Investment in associates	30,101	–
Other non-current assets	94,047	65,449
	683,023	511,940
Current assets		
Inventories	515,559	315,653
Trade and bills receivables	163,562	175,647
Prepayments, deposits and other receivables	104,335	120,423
Tax recoverable	6,511	8,582
Pledged deposits	216,900	213,000
Time deposits	465,100	496,295
Cash and cash equivalents	278,277	161,161
	1,750,244	1,490,761
Total assets	2,433,267	2,002,701

	As at 31 December	
	2014	**2013**
	(audited)	**(audited)**
	RMB'000	*RMB'000*
Current liabilities		
Interest-bearing bank loans and other borrowings	517,197	259,986
Trade payables	184,215	167,951
Other payables and accruals	373,469	256,553
Other current liabilities	46,815	38,200
	1,121,696	722,690
Non-current liabilities		
Interest-bearing bank loans and other borrowings	51,864	36,852
Other non-current liabilities	44,779	48,693
	96,643	85,545
Total liabilities	1,218,339	808,235
Total equity		
Equity attributable to owners of the Company	1,107,760	1,109,810
Non-controlling interests	107,168	84,656
	1,214,928	1,194,466

As at 31 December 2014, total assets amounted to approximately RMB2,433.3 million and total liabilities amounted to approximately RMB1,218.3 million. Total assets and total liabilities of the Group as at 31 December 2014 went up by approximately 21.5% and 50.7% respectively as compared with those as at 31 December 2013. Among the non-current assets, the property, plant and equipment and inventories increased prominently during FY2014, mainly due to the CAPEX Plan in order to cope with the increasing demand of its products from the worldwide customers. Among the current assets, the balance of inventories increased significantly as a result of (i) the increase in brands and product series that were launched by the Group in recent years; and (ii) the slower than expected sales of the Allnutria division during FY2014 attributable to the launch of a series of new policies to maintain the industry's healthy growth and improve quality and safety standards in paediatric milk formula by the PRC government. The Group had cash and cash equivalents of approximately RMB278.3 million as at 31 December 2014, representing a significant increase of approximately 72.7% from 31 December 2013.

The Group recorded net current assets of approximately RMB628.5 million as at 31 December 2014. Total interest-bearing bank loans and other borrowings increased from approximately RMB296.8 million as at 31 December 2013 dramatically by approximately 91.7% to approximately RMB569.1 million as at 31 December 2014, among which the current portion of interest-bearing bank loans and other borrowings increased by approximately 98.9% to approximately RMB517.2 million over the same period. The increase is attributable to the additions of (i) 3 secured floating-rate bank loans ranging from a term of 3 months to 12 months and (ii) the loans granted by DDI to Ausnutria Hyproca during FY2014. The current ratio of the Group decreased from approximately 2.06 times as at 31 December 2013 to approximately 1.56 times as at 31 December 2014, mainly attributable to the significant increase in current liabilities.

As at 31 December 2014, total equity and total equity attributable to owners of the Company amounted to approximately RMB1,214.9 million (or approximately HK$1.54 per Share) and approximately RMB1,107.8 million (or approximately HK$1.40 per Share) respectively. According to the unaudited pro forma financial information of the enlarged Group as set out in the Appendix III to the Hyproca Acquisition Circular, assuming the completion of the Hyproca Acquisition, the total equity per Share of the Company would decrease from approximately RMB1.23 (equivalent to approximately HK$1.54) to approximately RMB1.00 (equivalent to approximately HK$1.23) upon completion of the Acquisition. The Offer Price of HK$3.01 per Offer Share is therefore higher than both the net asset value per Share as at 31 December 2014 and that assuming the completion of the Hyproca Acquisition.

2. Prospects of the Group

Due to the increasing public health awareness and food quality and safety standards worldwide, new regulations and policies have been proposed and launched from time to time with respect to maintain the dairy industry's healthy growth and improve quality and safety standards in paediatric milk formula. In 2013, the PRC government launched a series of new policies (the "**New Policies**") including (i) raising standards on granting/renewing production licenses for paediatric milk powder manufacturers in the PRC; (ii) requiring that paediatric milk powder manufacturers establish comprehensive tracking systems from production to distribution in the PRC; and (iii) requiring that foreign enterprises obtain registration of their dairy products, now regulated by a more stringent set of new rules and regulations, before their products can be imported into the PRC. Under the New Policies, the brands owned by Ausnutria Hyproca Group have been granted relevant import approvals whilst its overseas factories of Ausnutria Hyproca Group have also been successfully registered as approved overseas dairy products producers. However, there is no guarantee that any further tightening of administration and implementation of more stringent policies and standards on the milk powder industry in the future would not impose possible challenges and disturbances to the businesses and accordingly, the profitability, of the Group.

3. Information on the Joint Offerors

Set out below are the information of the Joint Offerors as extracted from the letter from Optima Capital in this Composite Document:–

(i) Center Lab, BioEngine Tech and Asean BMPI

Center Lab, Inc was founded in 1969 and is a company incorporated under the laws of Taiwan with limited liabilities. The shares of Center Lab have been listed on the GreTai Securities Market in Taiwan (Stock code: 4123) since 2003. Center Lab is an industrial biotechnological company which specialises in manufacturing liquid oral drugs formulations for infants, children, the elderly and special care patients. Mr. Lin, an executive Director, is the chairman of Center Lab and the largest shareholder of Center Lab through his holdings of approximately 13.00% equity interests (direct and indirect) in Center Lab. The remaining 87.00% of issued shares of Center Lab are held as to 5.23% by the directors of Center Lab, 12.54% by a substantial shareholder of Center Lab and 69.23% by public shareholders. Reference is made to the announcement of the Company dated 16 June 2015 relating to the indictment issued by Taipei District Prosecutors Office against Mr. Lin, as a defendant, in relation to an alleged breach of articles 171(1)(2) and 171(1)(3) of the Securities and Exchange Act in Taiwan (the "**Indictment**") in connection with a company in which Mr. Lin previously served as the chairman. Center Lab submits that, based on the legal memorandum prepared by Jones Day for Center Lab dated 18 June 2015, Center Lab is not stated to be a party to the prosecution against Mr. Lin and therefore at present it is not contemplated that such Indictment will result in civil liability by virtue of Center Lab being unable to perform its obligations.

BioEngine Technology Development Inc. is a company incorporated in Taiwan with limited liability. It is a non-wholly owned subsidiary of Center Lab. Its principal business is investment consulting and management consulting.

Asean Bio&Medical Platform Investment, L.P. is a limited partnership established in Korea. The contribution comprises capital commitment of 50% by the Korea Development Bank (which in turn is wholly-owned by the Government of Republic of Korea) as special partner, 30% by CenterLab Investment Holdings Limited (which is a wholly-owned subsidiary of Center Lab) as limited partner and 18.33% by M-Venture Investment, Inc. as general partner and 1.67% by Korea Fund of Funds as special partner. The purpose of the partnership is to invest and operate its assets, distribute profits therefrom to the partners above for the promotion of small and medium business and the sound development of national economy in Korea.

(ii) Other Joint Offerors

Babyland Holdings Limited is a company incorporated in the BVI with limited liability. It is wholly owned by Chengwei Evergreen Capital, L.P.. Its principal business is venture capital.

Fareast Land Development Co., Ltd is a company incorporated in Taiwan with limited liability. It is wholly owned by 信宇投資股份有限公司 (Shin Yu Investment Ltd.), which in turn, is 80.84% owned by Mr. Chao TengHsiung. Its principal business is land development and investment.

Power Pointer Limited is a company incorporated in Hong Kong with limited liability. It is wholly owned by China Consumer Fund, L.P., which is a Cayman Islands exempted limited partnership, dedicated in private equity investment in consumer-related sectors in Greater China including but not limited to food and beverage, agriculture and environmental protection etc.

Yuanta I Venture Capital Co. Ltd is a company incorporated in Taiwan with limited liability. Its principal business is venture capital. It is wholly owned by Yuanta Venture Capital Co. Ltd., a company which is wholly owned by Yuanta Financial Holding Co., Ltd.

Yuanta Asia Investment Limited is a company incorporated in BVI with limited liability. It is wholly owned by Yuanta Securities Asia Financial Services Limited, a company which is indirectly wholly owned by Yuanta Financial Holding Co., Ltd. Its principal business is direct investment, investment management and investment advisory.

Yuanta Securities (Hong Kong) Company Limited is a company incorporated in Hong Kong with limited liability. It is wholly owned by Yuanta Securities Asia Financial Services Limited, a company which is indirectly wholly owned by Yuanta Financial Holding Co., Ltd. Yuanta Securities (Hong Kong) Company Limited is a licensed corporation registered with the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leverage foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and is committed to provide comprehensive services in the aspects of corporate finance, asset management and brokerage services to clients.

The ultimate parent company of Yuanta I Venture Capital Co. Ltd., Yuanta Asia Investment Limited and Yuanta Securities (Hong Kong) Company Limited is Yuanta Financial Holding Co., Ltd., which is a listed company in Taiwan (Stock code: 2885), Yuanta I Venture Capital Co. Ltd., Yuanta Asia Investment Limited and Yuanta Securities (Hong Kong) Company Limited held an aggregate of 12,631,590 Shares as at the Latest Practicable Date (representing approximately 1.28% of the issued share capital of the Company as at the Latest Practicable Date) and they consider themselves as the passive investors of the Group, and they currently do not and will not involve in the management of the businesses of the Group upon the close of the Offer.

Please refer to the Appendix IV to this Composite Document for further information on the Joint Offerors.

4. Intention of the Joint Offerors regarding the Group

As mentioned in the letter from Optima Capital in this Composite Document, the acquisition by Center Lab of a controlling stake in the Company would benefit the Group as Center Lab will leverage on its management expertise with a view to creating long-term value for the Shareholders. Mr. Lin, the single largest shareholder and chairman of Center Lab, was appointed as an executive Director on 12 December 2014, and is responsible for the strategic development of the Group.

Following the close of the Offer, the Joint Offerors intend that the Group will continue its existing principal activities. The Joint Offerors do not intend to introduce any major changes to the existing operation and business of the Group immediately after the Offer. As at the Latest Practicable Date, the Joint Offerors have no intention to dispose of assets and/or business by the Group other than in the ordinary and usual course of its business, nor any plan to terminate the employment of any other employees or other personnel of the Group.

As at the Latest Practicable Date, the Board comprised four executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Joint Offerors did not intend to nominate any new Directors to the Board immediately after the Offer. Any changes to the Board composition (if any) will be announced by the Company as and when appropriate in compliance with the Listing Rules.

As also disclosed in the letter from Optima Capital in this Composite Document, the Joint Offerors intend the Company to remain listed on Main Board of the Stock Exchange after close of the Offer.

5. Undertaking not to accept the Offer

As disclosed in the letter from Optima Capital in this Composite Document, the following Shareholders have executed the Irrevocable Undertakings whereby they have undertaken not to accept the Offer in respect of the Non-acceptance Shares:

Controlling shareholder/ Beneficial Owner	Shareholders	Date of the Irrevocable Undertakings	Non-acceptance Shares	Approximate percentage of the issued Shares
Mr. Peng Shengwen	China Ally Limited	26 May 2015	17,618,000	1.78
	Mr. Peng Shengwen	26 May 2015	26,954,000	2.73
Ms. Hong Hong	Ms. Hong Hong	25 May 2015	11,972,000	1.21
Shenzhen GTJA Investment Group Co., Ltd.	Top Class Trading Limited	25 May 2015	33,336,000	3.38
Mr. Cai Dajian	Topgold Assets Management Limited	25 May 2015	10,391,920	1.05
Mr. Pan Shuiming	Ever Win (Asia Limited)	25 May 2015	2,140,000	0.22
	Irene & Maya International (Group) Co., Ltd.	25 May 2015	4,000,000	0.41
	Yiree Holding Inc.	25 May 2015	1,575,000	0.16
	Mr. Pan Shuiming	25 May 2015	13,642,000	1.38
Mr. Tang Dongyuan	Mr. Tang Dongyuan	26 May 2015	7,016,000	0.71
Mr. Wu	Vendor	27 May 2015	42,445,000	4.30
Mr. Yan	Ausnutria Holding	27 May 2015	86,805,450	8.80
Total			257,895,870	26.13

Each of the Shareholders who undertakes not to accept the Offer above have executed the Irrevocable Undertakings respectively in favour of the Joint Offerors, pursuant to which he/she/it has irrevocably and unconditionally undertaken that unless and until the Offer closes, lapses or is withdrawn, will not directly or indirectly:

(i) dispose all or any of the Non-acceptance Shares respectively or any interest therein; nor

(ii) acquire any shares or other securities in the Company or any interest therein; nor

(iii) convene any meeting of the members of the Company in any capacity as a shareholder provided that this provision (iii) shall not apply if and to the extent the SFC deems it to have the effect of transferring general control of the voting rights in the Non-acceptance Shares; nor

(iv) in the event that any person other than the Joint Offerors and parties acting in concert with any of them announces a firm intention to make an offer to acquire all of the share capital of the Company (a "**Competing Offer**"), exercise (or procure the exercise) of any voting rights attaching to the Non-acceptance Shares or execute (or procure the execution of) any forms of proxy in respect of the Non-acceptance Shares so as vote for and/or accept the Competing Offer; nor

(v) enter into any agreement, arrangement or obligation or permit any agreement, arrangement or obligation to be entered into in relation to the Non-acceptance Shares with any person whether condition or unconditional to do all or any of the acts referred to from (i) to (iv) above.

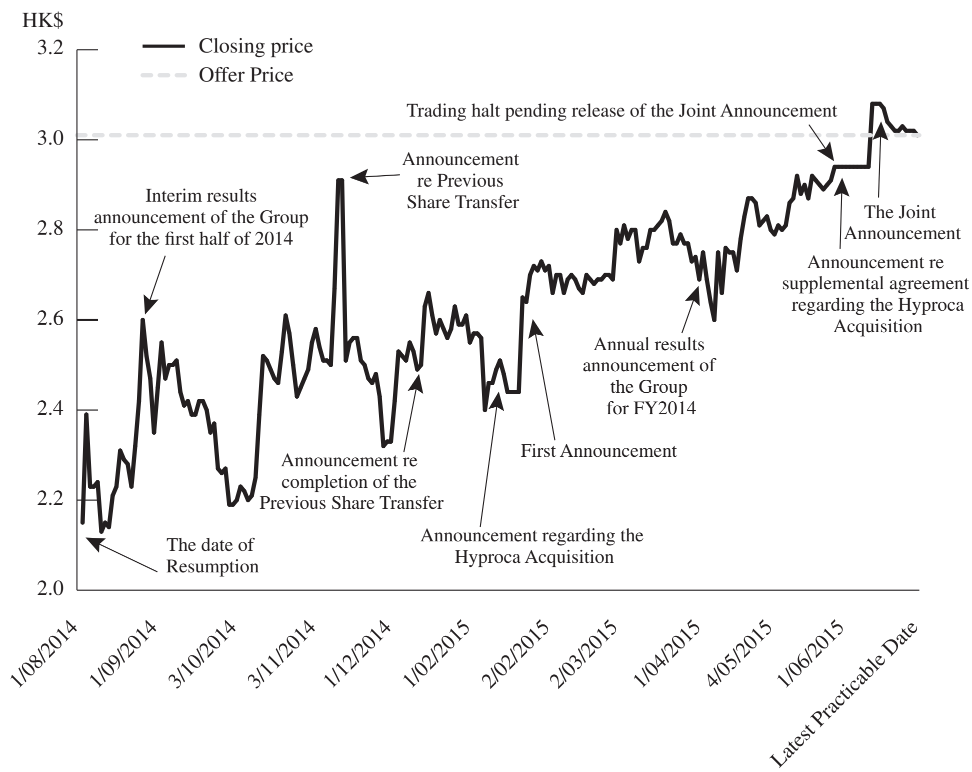
In the event that the above Shareholders do acquire any Shares, securities or interests in the Company or rights therein, such Shares, securities, or interests shall be deemed to be included in the definition of Non-acceptance Shares.

6. Offer Price comparison

(a) Historical price performance and liquidity of the Shares

We note that trading in the Shares had been suspended during the period from 29 March 2012 to 1 August 2014 due to, among other things, a delay in publication of an announcement in relation to the annual results of the Group for the year ended 31 December 2011 and despatch of the relevant annual report for the financial year ended 31 December 2011. On 26 June 2012, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated a number of resumption conditions. As announced by the Company dated 1 August 2014, all the resumption conditions have been fulfilled and resumption of trading in the Shares (the "**Resumption**") took place on 4 August 2014. Details on the reasons for the suspension of trading in the Shares and the resumption were set out in the announcements of the Company dated 29 March 2012, 4 October 2012 and 1 August 2014. Given the suspension of the Shares between March 2012 and early August 2014, we believe that the share price movement of the Shares after the Resumption would provide a more meaningful picture of the trading performance of the Shares taken into account the most up-to-date development of the Group.

Set out below is a chart reflecting movements in the closing prices of the Shares from 4 August 2014 (being the day of on which trading in the Shares resumed pursuant to the Resumption) to the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg and Stock Exchange

From the chart above, the closing prices of the Shares were ranged from HK$2.13 to HK$2.91 per Share during the period from 4 August 2014 (being the date of Resumption) to 16 January 2015 (being the last trading day prior to the publication of the First Announcement) (both dates inclusive, the "**Pre-Announcement Period**"), with an average of approximately HK$2.44 per Share. It is also noted that the Offer Price of HK$3.01 per Offer Share represents a premium to the closing price of the Shares at all time during the Pre-Announcement Period.

The Share price closed at HK$2.15 on 4 August 2014, being the first day of trading in the Shares after the Resumption. The Share price gradually went up and reached its peak of HK$2.91 on 11 November 2014, being the last trading day prior to the release of the Company's announcement on 12 November 2014 in relation the possible disposal of Shares by the substantial Shareholders (the "**Previous Share Transfer**"). The Shares resumed trading on 13 November 2014 and the Share price closed at HK$2.51 on the same day. The Company announced the completion of the Previous Share Transfer on 12 December 2014. On 15 December 2014, being the trading day immediately following the publication of the announcement regarding the completion of the Previous Share Transfer, the Share price closed at HK$2.66. Since then and up to the 12 January, being the last trading day prior to the announcement (the "**Hyproca Acquisition Announcement**") regarding the Hyproca Acquisition, the Share price closed in the range between HK$2.40 and HK$2.66. Following the publication of the Hyproca Acquisition Announcement and before the temporary suspension in trading of Shares from 19 to 21 January 2015 pending the release of the First Announcement, the Shares closed in the range between HK$2.44 and HK$2.51 with an average of approximately HK$2.48. The Share price closed at HK$2.44 on 16 January 2015, being last trading day prior to the release of the First Announcement.

On 21 January 2015, the Company published the First Announcement after trading hours to announce the possible disposal of the Shares held by two substantial Shareholders at a price of HK$3.00 or above (the "**Possible Share Transfer**"). On 22 January 2015, trading in Shares resumed and the Share price surged to HK$2.65. The Share price continued to increase and closed at HK$2.94 on the Last Trading Day. Trading in the Shares was suspended from 29 May 2015 to 10 June 2015 pending the release of the Joint Announcement. Following the release of the Joint Announcement and the resumption of trading in the Shares on 11 June 2015, the Share price surged to HK$3.08 on 11 June 2015. The Share price maintained at levels at or above the Offer Price since then and closed at HK$3.01 (being the same as the Offer Price) on the Latest Practicable Date.

We believe that the recent upswing of the closing price of the Shares, particularly since the publication of the First Announcement, was likely to be attributable to the market reaction to the publication of the First Announcement and the Joint Announcement and therefore, the sustainability of the current price level of the Shares could be uncertain.

Set out in the table below are the total monthly trading volumes of the Shares and the percentages of such average daily trading volume to the total issued share capital and public float of the Company during the Review Period:

	Total monthly trading volume of the Shares	Approximate % of average daily trading volume to the total issued Shares *(note 1)*	Approximate % of average daily trading volume to the Shares constituting the public float *(note 2)*
2014			
4 August to 29 August *(note 3)*	162,949,885	0.8256%	2.0823%
September	36,959,030	0.1783%	0.4498%
October	42,614,000	0.2056%	0.5186%
November	56,627,000	0.2869%	0.7236%
December	34,881,080	0.1683%	0.4245%
2015			
1 January to 16 January *(Note 4)*	8,586,075	0.0791%	0.1995%
Average during the Pre-Announcement Period		**0.2907%**	**0.7331%**
22 January to the Latest Practicable Date *(note 4)*	232,402,150	0.2222%	0.5603%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the number of the Shares in issue as at the end of each month.

2. The calculation is based on the number of Shares in issue as set out in note 1 above excluding the Shares held by the substantial shareholders and directors of the Company in the corresponding month.

3. The Resumption took place on 4 August 2014.

4. The Shares were suspended from trading during (i) 19 January 2015 to 21 January 2015 pending the release of the First Announcement which was published on 21 January 2015, and trading in the Shares resumed on 22 January 2015; and (ii) 29 May 2015 to 10 June 2015 pending the release of the Joint Announcement, and trading resumed on 11 June 2015.

We note from the above table that despite in August 2014 during which the trading in Shares resumed after a prolong suspension since March 2012, the average daily trading volume of the Shares has been thin in general during the Review Period. The average daily trading volume of the Shares during the Pre-Announcement Period was within the range between approximately 0.0791% and 0.8256% of the total Shares in issue with an average of approximately 0.2907%, and between approximately 0.1995% and 2.0823% of the issued Shares constituting the public float of the Company, with an average of approximately 0.7331%. The number of Shares traded daily from 22 January 2015 (the first trading day immediately following the publication of the First Announcement) up to the Latest Practicable Date on average represented approximately 0.2222% and 0.5603% of the total Shares in issue and the issued Shares constituting the public float of the Company respectively.

Given the generally thin historical average daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Offer, therefore, represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Offer Price if they so wish.

(b) Comparison with comparable companies

The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and in the dairy industry through the Ausnutria Hyproca Group with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

For comparison purposes, we have, on best effort basis, identified three companies listed on the Stock Exchange which (i) are principally engaged in the production and sales of paediatric milk formula products; and (ii) at least 50% of their respective revenue was generated from the production and sales of paediatric milk formula products, which are namely Daqing Dairy Holdings Limited ("**Daqing**", stock code: 1007), Biostime International Holdings Limited ("**Biostime**", stock code: 1112) and Yashili International Holdings Limited ("**Yashili**", stock code: 1230). We consider the aforesaid comparable companies an exhaustive list of relevant comparable companies based on the said criteria above. However, the shares of Daqing has been suspended from trading since March 2012 and the financial information of Daqing has not been available since 30 June 2011. Accordingly, we have excluded Daqing for our comparison purposes. Though Biostime and Yashili (collectively, the "**Comparable Companies**") are not the same in all aspects as the Group, we consider that the analysis on these two Comparable Companies can still provide a meaningful reference to the Shareholders given that the Comparable Companies are all involved in the production and sales of paediatric milk formula products that are considered having similar characteristics in terms of industry background and outlook as the Group, and therefore can provide a general overview on their market valuation with respect to their corresponding earnings for comparison purposes. For companies which are principally engaged in the production and sales of paediatric milk formula products but listed on other stock exchanges, we consider that they may not be appropriate for comparison purposes as rating and valuation on the same business sector/industry on different stock exchanges could vary widely due to the variations in the mix of institutional and retail investors, the difference in maturity of the regional stock markets, the economic structure and stage of economic development of the country or region where the stock exchanges are situated.

The table below illustrates the price-to-earnings ratio ("**P/E Ratio(s)**") of each of the Comparable Companies and the Company.

Company name	**Closing price**	**Market capitalisation**	**Latest earnings**	**P/E Ratios**
	HK$	*HK$'million*	*HK$'million*	*times*
	(note 1)	*(note 1)*	*(note 1)*	*(note 2)*
Biostime	21.4	13,038.8	1,008.5	12.9
Yashili	2.31	10,962.2	311.0	35.2
			Average	**24.1**
			Maximum	**35.2**
			Minimum	**12.9**
The Company	**3.01**	**2,970.4**	**112.8**	**26.3**
	(note 3)	*(note 4)*	*(note 5)*	*(note 6)*

Notes:

1) The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Comparable Companies are calculated based on their closing share price and number of issued shares as at the Latest Practicable Date. The audited consolidated earnings attributable to owners are extracted from the latest annual reports of the Comparable Companies.

2) The historical P/E Ratios of the Comparable Companies are calculated based on their latest audited consolidated earnings attributable to owners and their market capitalisations as at the Latest Practicable Date.

3) Being the Offer Price of HK$3.01 per Offer Share.

4) Theoretical market capitalisation of the Company being the Offer Price times 986,843,000 Shares in issue as at the Latest Practicable Date.

5) Being the consolidated net profits attributable to owners of the Company for FY2014 which is extracted from 2014 Annual Report.

6) The P/E Ratio of the Company is calculated based on (i) its theoretical market capitalisation as illustrated in note 4 above; and (ii) consolidated net profits attributable to owners of the Company for FY2014.

7) For the purpose of this table, the translation of RMB into HK$ is based on the average exchange rate of RMB1.00 to HK$1.25 for the purpose of illustration only.

As shown in the table above, we note that the P/E Ratio of the Company based on the Offer Price of 26.3 times is higher than the average of 24.1 of the P/E Ratios of the Comparable Companies and therefore, is considered favorable.

We have also reviewed the price-to-book ratios ("**P/B Ratio(s)**") of the Comparable Companies. They are ranged from 2.8 times to 3.6 times and the P/B Ratio of the Company of around 2.1 times represented by the Offer Price of HK$3.01 is lower than that of the Comparable Companies. Nevertheless, we consider the valuation basis for companies engaged in the production and sales of paediatric milk formula products which are profit-making should be largely based on their earning capability rather than their net asset backing. We therefore place less reliance on the analysis relating to P/B Ratios.

Other alternative approach such as a business valuation of the Group based on future earnings and/or cash flow projections was also considered. However, the preparation of projections of future earnings and/or cash flow of the Group shall involve large amount of business assumptions, which could be subject to even greater uncertainties and subjectivity. Whilst the above comparison method is considered commonly used approach under market practices to assess the fairness and reasonableness of the Offer Price, we consider the above comparison method appropriate for providing the Shareholders a general overview on the valuation on companies conducting similar business as that of the Group and a reasonable reference and basis for the Shareholders to assess the fairness and reasonableness of the Offer Price.

7. Discussion and analysis

We consider that the terms of the Offer, including the Offer Price, are fair and reasonable so far as the Independent Shareholders are concerned after taking into account the above principal factors and reasons, in particular:

1. as discussed under the section headed "2. Prospects of the Group" above, whilst new regulations and policies have been proposed and launched from time to time with respect to maintain the dairy industry's healthy growth and improve quality and safety standards in paediatric milk formula, there is no guarantee that any further tightening of administration and implementation of more stringent policies and standards on the milk powder industry in the future would not impose possible challenges and disturbances to the businesses and accordingly, the profitability, of the Group;

2. the Offer Price of HK$3.01 per Offer Share represents a premium over the closing price of the Shares at all time during the Pre-Announcement Period. Though the Share price surged and remained at or above the Offer Price during the period immediately after the release of the Joint Announcement and up to the Latest Practicable Date, the sustainability of the current price level of the Shares could be uncertain;

3. the average daily trading volume of the Shares has been thin in general during the Review Period and the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. The Offer, therefore, represent an opportunity for the Independent Shareholders to dispose of their entire holdings at the Offer Price of HK$3.01 which compares favourably against the net asset value per Share and the closing price of the Shares at all time during the Pre-Announcement Period; and

4. the P/E Ratio of the Company based on the Offer Price is considered favourable as compared with the P/E Ratios of the Comparable Companies.

8. Opinion and recommendation

Based on the above principal factors and reasons, we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, it should be noted that since the publication of the Joint Announcement, the Shares have been trading at or above the Offer Price. As such, it is advisable for the Independent Shareholders to consider selling their Shares in the open market if the market price of the Shares exceeds the Offer Price during the period when the Offer is open and the sales proceeds, net of transaction costs, from disposal of the Shares in the open market exceed the amount receivable under the Offer. Independent Shareholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Offer Shares in the market without exerting downward pressure on the price of the Shares.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley Capital to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Acceptance Form in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer.

(i) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, you must send the Acceptance Form duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, marked "Ausnutria Dairy Corporation Ltd – Offer" on the envelope, in any event not later than 4:00 p.m., on the First Closing Date or such later time and/or date as the Joint Offerors may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

(ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:

a. lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "Ausnutria Dairy Corporation Ltd – Offer" the duly completed and signed Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

b. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Ausnutria Dairy Corporation Ltd – Offer" the duly completed and signed Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

c. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/ custodian bank as required by them; or

d. if your Shares have been lodged with your investor participant stock account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system no later than the deadline set out by HKSCC.

(iii) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Acceptance Form and deliver it in an envelope marked "Ausnutria Dairy Corporation Ltd – Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Joint Offerors and/or Optima Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Acceptance Form.

(iv) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Acceptance Form and deliver it in an envelope marked "Ausnutria Dairy Corporation Ltd – Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/ are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(v) Acceptance of the Offer will be treated as valid only if the duly completed and signed Acceptance Form is received by the Registrar by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Joint Offerors may determine and announce with the consent of the Executive and in accordance with the Takeovers Code), and the Registrar has recorded that the Acceptance Form and any relevant documents required, under paragraph (vi) below have been so received.

(vi) Acceptance of the Offer may not be counted as valid unless the Acceptance Form is duly completed and signed and is:

a. accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

b. from a Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph under this paragraph (vi)); or

c. certified by the Registrar or the Stock Exchange.

If the Acceptance Form is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(vii) No acknowledgement of receipt of any Acceptance Form, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(viii) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

2. SETTLEMENT

(i) If you accept the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt of a complete and valid acceptance of the Offer and the date on which the Offer becomes or is declared unconditional in all respects. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's Acceptance Form at his/her/its own risk.

(ii) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

(i) The Offer is made on 2 July 2015, namely the date of despatch of this Composite Document, and are capable of acceptance on and from this date.

(ii) Unless the Offer has previously been revised or extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Acceptance Form must be received by the Registrar by 4:00 p.m. on the First Closing Date in accordance with the instructions printed on the relevant Acceptance Form. The Offer is conditional upon the Joint Offerors having received valid acceptances in respect of the Shares which, together with the Shares already acquired by the Joint Offerors and any party acting in concert with any of them before or during the Offer Period, will result in the Joint Offerors and any party acting in concert with any of them holding more than 50% of the Shares. Pursuant to the Takeovers Code, where the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter. The Joint Offerors will make an announcement as and when the Offer becomes or is declared unconditional.

(iii) If the Offer is extended, the announcement of such extension will state the next closing date or if the Offer is unconditional as to acceptances, the announcement will contain a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed. If, in the course of the Offer, the Joint Offerors revise the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the First Closing Date.

(iv) If the First Closing Date is extended, any references in this Composite Document and the Acceptance Form to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. ANNOUNCEMENT

(i) By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Joint Offerors must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry or unconditionality of the Offer. The Joint Offerors must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional.

The announcement will state the total number of Shares:

a. for which acceptances of the Offer have been received;

b. held, controlled or directed by the Joint Offerors or parties acting in concert with any of them before the Offer Period; and

c. acquired by the Joint Offerors or parties acting in concert with any of them during the Offer Period.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Joint Offerors or any parties acting in concert with any of them has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company, and the percentages of voting rights, represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in this Appendix I, and which have been received by the Registrar no later than 4:00 p.m. on the First Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(ii) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

6. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the Condition set out in the "Letter from Optima Capital" in this Composite Document. Acceptance of the Offer tendered by Independent Shareholders, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its consent within 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

Furthermore, in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Joint Offerors are unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed "4. Announcement" above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholder(s) withdraw their acceptance(s), the Joint Offerors shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Acceptance Form to the relevant Independent Shareholder(s) at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

7. OVERSEAS SHAREHOLDERS

The Offer is available to all the Independent Shareholders, including the Overseas Shareholders. However, the Overseas Shareholders who wish to participate in the Offer are subject to, and may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdiction).

8. STAMP DUTY

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance, will be deducted from the cash amount payable to the Shareholders who accept the Offer. The Joint Offerors will then pay the buyer's ad valorem stamp duty so deducted on its own behalf. The Joint Offerors will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay to the Stamp Office the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance.

9. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Joint Offerors and parties acting in concert with any of them, the Company, Optima Capital, Asian Capital, Somerley Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

(i) All communications, notices, the Acceptance Form, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Independent Shareholders at their addresses, specified on the relevant Acceptance Form. None of the Joint Offerors and parties acting in concert with any of them, the Company, Optima Capital, Asian Capital, Somerley Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

(ii) The provisions set out in the Acceptance Form form part of the terms of the Offer.

(iii) The accidental omission to despatch this Composite Document and/or Acceptance Form or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(iv) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(v) Due execution of the Acceptance Form will constitute an irrevocable authority to the Joint Offerors and/or Optima Capital (or such person or persons as the Joint Offerors and/or Optima Capital may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Joint Offerors (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.

(vi) Acceptance of the Offer by Independent Shareholders will be deemed to constitute a warranty by such person(s) to the Joint Offerors that such Shares acquired under the Offer are sold or tendered by Independent Shareholders free from all pledges, charges, claim, community or other marital property interest, liens, mortgages, lease, security interests, attachments, pre-emption rights, options restrictions, conditional sale agreement or other title retention agreement and any other encumbrances or similar third party rights or claims of any kind and together with all rights accruing or attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

(vii) References to the Offer in this Composite Document and in the Acceptance Form shall include any extension and/or revision thereof.

(viii) Any Independent Shareholders accepting the Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable by them in any relevant jurisdiction.

(ix) Save for the payment of stamp duty, settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against such Independent Shareholder.

(x) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Joint Offerors that the number of Shares it has indicated in the Acceptance Form is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.

(xi) The English text of this Composite Document and of the Acceptance Form shall prevail over the Chinese text for the purpose of interpretation.

(xii) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Acceptance Form, shall not be construed as any legal or business advice on the part of the Joint Offerors, the Company, Optima Capital, Asian Capital, Somerley Capital, the Registrar or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.

(xiii) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 as extracted from the annual reports of the Group.

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,350,996	1,687,781	1,966,047
Profit before tax	85,405	157,795	137,273
Income tax expense	(17,388)	(30,930)	(20,552)
Profit for the year	68,017	126,865	116,721
Attributable to:			
Owners of the parent	66,490	120,705	90,219
Non-controlling interests	1,527	6,160	26,502
	68,017	126,865	116,721
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB cents)*	6.74	12.23	9.14
Dividend per share *(HK cents)*	Nil	10.00	Nil

II. FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

The following financial information is extracted from the annual report of the Company for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

		2014	2013
	Notes	*RMB'000*	*RMB'000*
REVENUE	*5*	1,966,047	1,687,781
Cost of sales		(1,398,842)	(1,216,026)
Gross profit		567,205	471,755
Other income and gains	*5*	29,325	25,884
Selling and distribution expenses		(336,000)	(227,757)
Administrative expenses		(105,285)	(84,742)
Other expenses		(11,621)	(20,939)
Finance costs	*7*	(10,310)	(6,406)
Share of profits of associates		3,959	–
Profit before tax	*6*	137,273	157,795
Income tax expense	*10*	(20,552)	(30,930)
PROFIT FOR THE YEAR		116,721	126,865
Attributable to:			
Owners of the parent	*12*	90,219	120,705
Non-controlling interests		26,502	6,160
		116,721	126,865
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– basic and diluted	*13*	RMB9.14 cents	RMB12.23 cents

	Note	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		116,721	126,865
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(31,617)	2,889
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(31,617)	2,889
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on the defined benefit plan		(3,047)	(173)
Income tax effect		731	42
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(2,316)	(131)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(33,933)	2,758
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		82,788	129,623
Attributable to:			
Owners of the parent	*12*	72,875	122,278
Non-controlling interests		9,913	7,345
		82,788	129,623

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	483,162	360,996
Prepaid land lease payments	15	2,028	2,085
Goodwill	16	75,713	85,495
Other intangible assets	17	44,497	33,526
Investments in associates	19	30,101	–
Deferred tax assets	29	47,522	29,838
Total non-current assets		683,023	511,940
CURRENT ASSETS			
Inventories	20	515,559	315,653
Trade and bills receivables	21	163,562	175,647
Prepayments, deposits and other receivables	22	104,335	120,423
Tax recoverable		6,511	8,582
Pledged deposits	27	216,900	213,000
Time deposits	23	465,100	496,295
Cash and cash equivalents	23	278,277	161,161
Total current assets		1,750,244	1,490,761
CURRENT LIABILITIES			
Trade payables	24	184,215	167,951
Other payables and accruals	25	373,469	256,553
Derivative financial instruments	26	404	716
Interest-bearing bank loans and other borrowings	27	517,197	259,986
Tax payable		46,411	37,484
Total current liabilities		1,121,696	722,690
NET CURRENT ASSETS		628,548	768,071
TOTAL ASSETS LESS CURRENT LIABILITIES		1,311,571	1,280,011

	Notes	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,311,571	1,280,011
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	*27*	51,864	36,852
Defined benefit plan	*28*	15,709	18,454
Deferred tax liabilities	*29*	29,070	30,239
Total non-current liabilities		96,643	85,545
Net assets		1,214,928	1,194,466
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*31*	86,866	86,866
Reserves	*32(a)*	1,020,894	945,355
Proposed final dividend	*11*	–	77,589
		1,107,760	1,109,810
Non-controlling interests		107,168	84,656
Total equity		1,214,928	1,194,466

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent									
	Issued capital RMB'000 (note 31)	Share premium account RMB'000	Capital reserve RMB'000 (note 32(a))	Statutory surplus reserve RMB'000 (note 32(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 11)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	86,866	456,267	14,310	48,136	(10,930)	437,572	77,589	1,109,810	84,656	1,194,466
Profit for the year	–	–	–	–	–	90,219	–	90,219	26,502	116,721
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	(16,163)	–	–	(16,163)	(15,454)	(31,617)
Remeasurement losses on the defined benefit plan, net of tax	–	–	–	–	–	(1,181)	–	(1,181)	(1,135)	(2,316)
Total comprehensive income for the year	–	–	–	–	(16,163)	89,038	–	72,875	9,913	82,788
Acquisition of a subsidiary *(note 33)*	–	–	2,664	–	–	–	–	2,664	11,990	14,654
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	609	609
Final 2013 dividend declared and paid	–	–	–	–	–	–	(77,589)	(77,589)	–	(77,589)
Transfer from retained profits	–	–	–	4,025	–	(4,025)	–	–	–	–
At 31 December 2014	86,866	456,267*	16,974*	52,161*	(27,093)*	522,585*	–	1,107,760	107,168	1,214,928

	Attributable to owners of the parent									
	Issued capital RMB'000 (note 31)	Share premium account RMB'000	Capital reserve RMB'000 (note 32(a))	Statutory surplus reserve RMB'000 (note 32(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	86,866	533,856	14,310	43,612	(12,570)	321,458	–	987,532	76,295	1,063,827
Profit for the year	–	–	–	–	–	120,705	–	120,705	6,160	126,865
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	1,640	–	–	1,640	1,249	2,889
Remeasurement losses on the defined benefit plan, net of tax	–	–	–	–	–	(67)	–	(67)	(64)	(131)
Total comprehensive income for the year	–	–	–	–	1,640	120,638	–	122,278	7,345	129,623
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	1,016	1,016
Proposed final dividend	–	(77,589)	–	–	–	–	77,589	–	–	–
Transfer from retained profits	–	–	–	4,524	–	(4,524)	–	–	–	–
At 31 December 2013	86,866	456,267*	14,310*	48,136*	(10,930)*	437,572*	77,589	1,109,810	84,656	1,194,466

* *These components of equity comprise the consolidated reserves of RMB1,020,894,000 (2013: RMB945,355,000) as at 31 December 2014 in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		137,273	157,795
Adjustments for:			
Finance costs	7	10,310	6,406
Share of profits of associates		(3,959)	–
Interest income	5	(22,821)	(21,350)
Interest income on held-to-maturity investments	5	–	(2,564)
Depreciation	6	40,208	32,172
Amortisation of other intangible assets	6	8,277	5,788
Amortisation of prepaid land lease payments	6	57	57
Impairment of property, plant and equipment	6	260	1,850
Write-off of trade receivables	6	397	2,781
Write-off of other receivables	6	720	–
Write-down of inventories to net realisable value	6	7,172	1,030
Loss on disposal of items of other intangible assets	6	442	–
		178,336	183,792
Increase in inventories		(243,771)	(122,708)
Decrease/(increase) in trade and bills receivables		3,770	(35,624)
Decrease/(increase) in prepayments, deposits and other receivables		7,750	(37,148)
Increase in trade payables		34,212	60,939
Increase in other payables and accruals		123,508	26,597
Cash generated from operations		103,805	75,848
Interest received		23,751	16,608
Interest paid		(9,953)	(6,251)
Mainland China corporate income tax paid		(30,861)	(4,176)
Overseas tax refunded/(paid)		(863)	594
Net cash flows from operating activities		85,879	82,623

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(206,500)	(126,735)
Proceeds from disposal of items of property, plant and equipment		10	83
Additions to other intangible assets	*17*	(7,178)	(8,761)
Proceeds from disposal of items of other intangible assets		–	200
Increase in time deposits		(465,100)	(496,295)
Increase in pledged time deposits		(3,900)	(213,000)
Maturity of time deposits		496,295	420,000
Interest income on held-to-maturity investments		–	2,564
Investments in associates		(26,142)	–
Proceeds received from a held-to-maturity investment		–	60,000
Net cash flows used in investing activities		(212,515)	(361,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		312,627	163,569
Repayment of bank loans		(3,656)	(3,708)
Repayment of other borrowings		(2,588)	(817)
Contributions from non-controlling shareholders of subsidiaries		609	1,016
Dividends paid		(77,589)	–
Interest element of finance lease rental payments		(607)	(573)
Net cash flows from financing activities		228,796	159,487

	Notes	2014 RMB'000	2013 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		102,160	(119,834)
Cash and cash equivalents at beginning of year		161,161	282,714
Effect of foreign exchange rate changes, net		14,956	(1,719)
CASH AND CASH EQUIVALENTS AT END OF YEAR		278,277	161,161
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*23*	278,277	161,161

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	171,320	171,320
Total non-current assets		171,320	171,320
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	444,301	531,481
Cash and cash equivalents	23	3,926	8,659
Total current assets		448,227	540,140
CURRENT LIABILITIES			
Other payables and accruals	25	33,258	33,671
Total current liabilities		33,258	33,671
NET CURRENT ASSETS		414,969	506,469
TOTAL ASSETS LESS CURRENT LIABILITIES		586,289	677,789
Net assets		586,289	677,789
EQUITY			
Issued capital	31	86,866	86,866
Reserves	32(b)	499,423	513,334
Proposed final dividend	11	–	77,589
Total equity		586,289	677,789

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014

1. Corporate information

Ausnutria Dairy Corporation Ltd (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal offices of the Group are located at Floor 8, XinDaXin Building, No. 168, HuangXing Road (M), Changsha City, Hunan Province, Mainland China; at Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central, Hong Kong; and at Burgemeester Falkenaweg 58-1 (8442LE), Heerenveen, the Netherlands. The shares of the Company (the "Shares") were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2009. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Company acts as an investment holding company of the Group. The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the People's Republic of China (the "PRC") and in the dairy industry with production facilities based in the Netherlands which conduct activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] *Effective from 1 July 2014*

The adoption of the above revised standards and a new interpretation has had no significant effect on the financial statements of the Group.

2.3 New and revised IFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted

The Group 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*[4]
Amendments to IFRS 10 and IAS 28 (Revised)	*Sale or Contribution of Assets between an Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 And IAS 28 (Revised)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (Revised)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 *Effective for annual periods beginning on or after 1 July 2014*

2 *Effective for annual periods beginning on or after 1 January 2016*

3 *Effective for annual periods beginning on or after 1 January 2017*

4 *Effective for annual periods beginning on or after 1 January 2018*

5 *Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9.

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (Revised) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (Revised) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Annual Improvements to IFRSs 2012-2014 Cycle sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2016. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's 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 *Non-current Asset held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5.

Business combinations and goodwill

Business combinations are accounted for using 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 of 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 recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised 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 recognised 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised 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, recognised 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 recognised. An impairment loss recognised 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.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), 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 of disposal, 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 recognised 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 assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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 recognised 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.

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 less accumulated depreciation and accumulated 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 Group recognises 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 estimated useful lives used for this purpose are as follows:

Freehold land	Not depreciated
Land and buildings	25 years
Machinery	5 – 10 years
Motor vehicles	5 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	8 years

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 methods of depreciation 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building and plant and machineries 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Non-patent technology

Acquired non-patent technology is capitalised on a basis of the costs incurred to acquire and bring to use the specific technology. Non-patent technology is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five to ten years.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

Software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five to ten years.

Milk collection right

Milk collection right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of ten years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 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 recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 recognised 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

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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 and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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 objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 reorganisation 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 whether impairment exists individually 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, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised 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 the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised 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 recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, or loans and other borrowings.

All financial liabilities are recognised 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 and other payables, derivative financial instruments and interest-bearing bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

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 recognised in profit or loss when the liabilities are derecognised 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 derecognised 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 recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group's derivative financial instruments include interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of interest rate swaps are determined using the rates quoted by the Group's bankers to terminate the contracts and the valuation performed by the valuer at the end of the reporting period.

In case derivative financial instruments are used for hedging, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities 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 recognised 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 and associates, when 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 recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 difference 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 and associates, deferred tax assets are only recognised 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised 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 recognised 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 recognised 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 recognised 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:

(i) 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; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 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.

Defined benefit plan

One of the Group's subsidiaries in the Netherlands operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in profit or loss by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits and share premium within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Customer loyalty program

The Group operates a customer loyalty program which allows customers to earn points when they purchase products of the Group. The points can then be redeemed for free products, subject to a minimum number of points being obtained. The consideration received or receivable from the products sold is allocated between the points earned by the customer loyalty program members and the other components of the sales transactions. The amount allocated to the points earned by the customer loyalty program members is deferred until the points are redeemed when the Group fulfils its obligations to supply products or when the points expire.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on the settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Finance lease – Group as lessee

The Group has entered into certain lease agreements on production machinery. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it transfers substantially all the rewards and risks of ownership of assets to the Group which are leased out on finance leases.

Estimation uncertainly

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB75,713,000 (2013: RMB85,495,000). Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management judgements and estimation. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying value of the trade receivables and impairment loss in the periods in which such estimates have been changed. No impairment loss was recognised as at 31 December 2014 (2013: Nil). Further details are contained in note 21.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses 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. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 29.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances. The depreciation provided for the year ended 31 December 2014 was RMB40,208,000 (2013: RMB32,172,000). Further details are contained in note 14.

Defined benefit plan

The Group's subsidiaries in the Netherlands operate a defined benefit plan. Pension costs for defined benefit plan are assessed using the projected unit credit method in accordance with IAS 19 Employee Benefits. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plan. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. In calculating the Group's obligations in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Management appointed actuaries to carry out a full valuation of the pension plan to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the IFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit retirement plan and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

4. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments in 2014 as follows:

(a) the Ausnutria segment comprises the manufacture and sale of own-branded paediatric cow milk formula products in Mainland China and Hong Kong; and

(b) the Ausnutria Hyproca segment comprises the manufacture of dairy products in the Netherlands for sale to its worldwide customers as well as its own-branded products in Mainland China and other overseas countries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as unallocated head office and corporate results are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings as these liabilities are managed on a group basis.

Year ended 31 December 2014

	Ausnutria *RMB'000*	Ausnutria Hyproca *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	575,560	1,390,487	1,966,047
Intersegment sales	–	101,274	101,274
	575,560	1,491,761	2,067,321
Reconciliation:			
Elimination of intersegment sales			(101,274)
Revenue from operations			1,966,047
Segment results	91,117	69,415	160,532
Reconciliation:			
Elimination of intersegment results			(11,649)
Interest income			22,821
Finance costs			(10,310)
Corporate and other unallocated expenses			(24,121)
Profit before tax			137,273
Segment assets	478,049	1,157,726	1,635,775
Reconciliation:			
Elimination of intersegment receivables			(189,827)
Corporate and other unallocated assets			987,319
Total assets			2,433,267
Segment liabilities	232,883	606,222	839,105
Reconciliation:			
Elimination of intersegment payables			(189,827)
Corporate and other unallocated liabilities			569,061
Total liabilities			1,218,339
Other segment information			
Impairment losses recognised in profit or loss	9,624	260	9,884
Impairment losses written back in profit or loss	–	(1,335)	(1,335)
Share of profits of associates	–	3,959	3,959
Investments in associates	–	26,142	26,142
Depreciation and amortisation	10,467	38,075	48,542
Capital expenditure*	24,863	188,815	213,678

Year ended 31 December 2013

	Ausnutria RMB'000	Ausnutria Hyproca RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	586,602	1,101,179	1,687,781
Intersegment sales	–	47,210	47,210
	586,602	1,148,389	1,734,991
Reconciliation:			
Elimination of intersegment sales			(47,210)
Revenue from operations			1,687,781
Segment results	147,518	23,507	171,025
Reconciliation:			
Elimination of intersegment results			(2,605)
Interest income			21,350
Finance costs			(6,406)
Corporate and other unallocated expenses			(25,569)
Profit before tax			157,795
Segment assets	269,932	842,949	1,112,881
Reconciliation:			
Elimination of intersegment receivables			(8,837)
Corporate and other unallocated assets			898,657
Total assets			2,002,701
Segment liabilities	124,201	396,033	520,234
Reconciliation:			
Elimination of intersegment payables			(8,837)
Corporate and other unallocated liabilities			296,838
Total liabilities			808,235
Other segment information			
Impairment losses recognised in profit or loss	2,781	2,880	5,661
Depreciation and amortisation	9,382	28,635	38,017
Capital expenditure*	9,319	126,177	135,496

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

Geographical information

(a) Revenue from external customers

	2014	2013
	RMB'000	*RMB'000*
The PRC	1,080,192	878,180
European Union	536,681	567,854
Middle East	98,782	80,969
United States	103,996	74,025
Others	146,396	86,753
	1,966,047	1,687,781

The revenue information is based on the locations of the customers.

(b) Non-current assets

	2014	2013
	RMB'000	*RMB'000*
The PRC	78,295	78,955
The Netherlands	557,206	403,147
	635,501	482,102

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

During the year, there was no revenue from a single external customer accounted for 10% or more of the Group's total revenue (2013: Nil).

5. Revenue, other income and gains

Revenue represents the net invoiced value of goods sold, after deduction of allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

		2014	2013
	Notes	*RMB'000*	*RMB'000*
Revenue			
Sale of goods		1,966,047	1,687,781
Other income and gains			
Interest income		22,821	21,350
Interest income on held-to-maturity investments		–	2,564
Insurance claim for business interruption		2,634	–
Government grants	*(i)*	930	1,426
Management fees income from the associates	*38(a)*	910	–
Others		2,030	544
Total other income and gains		29,325	25,884

(i) Various government grants have been received for investments in Hunan province in the PRC in which the Company's subsidiaries operate. There were no unfulfilled conditions or contingencies relating to these grants.

6. Profit before tax

The Group's profit before tax is arrived at after charging:

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold		1,391,670	1,214,996
Write-down of inventories to net realisable value		7,172	1,030
Cost of sales		1,398,842	1,216,026
Depreciation	*14*	40,208	32,172
Amortisation of lease prepayments for land use rights	*15*	57	57
Amortisation of other intangible assets	*17*	8,277	5,788
Research and development costs		15,933	16,937
Minimum lease payments under operating leases for buildings		2,909	3,241
Foreign exchange differences, net*		74	1,079
Write-off of trade receivables*		397	2,781
Write-off of other receivables*		720	–
Impairment of property, plant and equipment*	*14*	260	1,850
Loss on disposal of items of other intangible assets*		442	–
Auditors' remuneration:			
Current charge for the year		3,551	4,766
Underprovisions in prior years		1,750	–
		5,301	4,766
Advertising and promotion expenses		146,372	83,962
Professional fees*		9,449	11,243
Employee benefit expenses (including directors' remuneration) *(note 8)*:			
Wages, salaries and staff welfare		215,189	174,463
Pension scheme contributions**		18,070	15,331
		233,259	189,794

* *The write-off of trade receivables, write-off of other receivables, foreign exchange differences, impairment of property, plant and equipment, loss on disposal of items of other intangible assets and professional fees in relation to the handling of the issues in relation to suspension in the trading of the Company's shares on the Stock Exchange (the "Unresolved Issues") are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).*

7. Finance costs

An analysis of finance costs is as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	14,740	6,251
Interest on finance leases	607	573
Total interest expense on financial liabilities not at fair value through profit or loss	15,347	6,824
Less: Interest capitalised	(4,787)	–
	10,560	6,824
Other finance costs:		
Unrealised gain on an interest rate swap *(note 26)*:	(250)	(418)
	10,310	6,406

8. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Fees	1,629	2,157
Other emoluments:		
Salaries, allowances and benefits in kind	2,442	1,682
Pension scheme contributions	14	16
	2,456	1,698
	4,085	3,855

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Qiu Weifa	143	96
Jason Wan	143	96
Chan Yuk Tong	884	1,487
	1,170	1,679

Save for the payment of a fee to Mr. Chan Yuk Tong commencing since March 2013 for his acting as the member of the special review committee (the "SRC") to assist on the follow-up of the Unresolved Issues of RMB600,000 (2013: RMB1,200,000), there were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors, a non-executive director and the chief executive

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014					
Executive directors:					
Yan Weibin	*(i)*	143	420	–	563
Lin Jung-chin	*(ii)*	6	–	–	6
Bartle van der Meer	*(iii)*	143	1,634	–	1,777
Ng Siu Hung		143	388	14	545
		435	2,442	14	2,891
Non-executive director:					
Dai Li	*(iv)*	24	–	–	24
		459	2,442	14	2,915
2013					
Executive directors:					
Wu Yueshi	*(v)*	60	–	–	60
Chen Yuanrong	*(vi)*	60	214	4	278
Yan Weibin	*(i)*	96	191	–	287
Bartle van der Meer	*(iii)*	83	966	–	1,049
Ng Siu Hung		96	311	12	419
		395	1,682	16	2,093
Non-executive director:					
Dai Li	*(iv)*	83	–	–	83
		478	1,682	16	2,176

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

Notes:

(i) Mr. Yan Weibin, an executive director, has been elected as the chairman of the Board, and appointed as a member and the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 7 June 2013.

(ii) Mr. Lin Jung-chin was appointed as an executive director of the Company with effect from 12 December 2014.

(iii) Mr. Bartle van der Meer ("Mr. van der Meer") was appointed as an executive director and the chief executive of the Company with effect from 7 June 2013. Prior to his appointment, Mr. van der Meer received a monthly salary and allowance from Ausnutria Hyproca of a total EUR14,000.

(iv) Mr. Dai Li ("Mr. Dai") was appointed as a non-executive director of the Company on 7 June 2013. On 4 March 2014, Mr. Dai has resigned as a non-executive director of the Company.

(v) Mr. Wu Yueshi ("Mr. Wu") has resigned as an executive director and the chairman of the Board with effect from 7 June 2013. Upon his resignation, Mr. Wu also ceased to be a member and the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company with effect from 7 June 2013.

(vi) Mr. Chen Yuanrong has resigned as an executive director and the chief executive of the Company with effect from 7 June 2013.

9. Five highest paid employees

The five highest paid employees during the year included one (2013: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2013: three) non-director, highest paid employees for the year are as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	5,505	4,355
Pension scheme contributions	680	520
Total	6,185	4,875

The number of non-director, highest paid employees whose remuneration fell with the following bands is as follows:

	Number of employees	
	2014	**2013**
HK$1,500,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$2,500,000	2	2
Total	4	3

10. Income tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. Under the Netherlands income tax laws, enterprises are subject to the Netherlands corporate income tax rate of 20% for the first EUR200,000 taxable profits and 25% for taxable profits exceeding EUR200,000. Under the USA tax laws, enterprises are subject to the USA corporate income tax rate of 34%. Under the Canada tax laws, enterprises are subject to the Canada corporate income tax rate of 38%.

Ausnutria China was designated as a High-tech Enterprise from 2010, and was granted a preferential CIT tax rate of 15% for the three years ended 31 December 2012. In March 2014, the application for the renewal of the designation of Ausnutria China as a High-tech Enterprise has been approved and Ausnutria China is granted the preferential CIT tax rate of 15% for another three years ending 31 December 2015.

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Current charge for the year – Mainland China		
Charge for the year	40,480	35,101
Overprovision in prior years	(692)	(2,706)
Current charge for the year – The Netherlands		
Charge for the year	2,921	527
Overprovision in prior years	(871)	(74)
Deferred income tax *(note 29)*	(21,286)	(1,918)
Total tax charge for the year	20,552	30,930

A reconciliation of tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Group and the majority of its subsidiaries are domiciled to tax expense at the effective tax rates, and a reconciliation of the statutory rates to the effective tax rates, are as follows:

Group – 2014

	Hong Kong		The Netherlands		Mainland China		Canada		USA		Others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	(5,321)		30,207		140,801		(4,410)		(6,545)		(17,459)		137,273	
Income tax at the statutory income tax rate	(878)	16.5	7,473	24.7	35,200	25.0	(1,676)	38.0	(2,225)	34.0	–	–	37,894	27.6
Tax effects on preferential tax rates	–	–	–	–	(10,115)	(7.2)	–	–	–	–	–	–	(10,115)	(7.4)
Non-deductible items and others, net	–	–	3,492	11.6	620	0.4	–	–	–	–	–	–	4,112	3.0
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiary	–	–	–	–	510	0.4	–	–	–	–	–	–	510	0.4
Profits attributable to associates	–	–	(990)	(3.3)	–	–	–	–	–	–	–	–	(990)	(0.7)
Additional deduction of expenses	–	–	(8,689)	(28.8)	(626)	(0.4)	–	–	–	–	–	–	(9,315)	(6.8)
Tax losses not recognised	878	(16.5)	–	–	–	–	–	–	–	–	–	–	878	0.6
Tax losses utilised from previous periods	–	–	(859)	(2.8)	–	–	–	–	–	–	–	–	(859)	(0.6)
Adjustments in respect of current tax in previous periods	–	–	(871)	(2.9)	(692)	(0.5)	–	–	–	–	–	–	(1,563)	(1.1)
Tax charge at the Group's effective rate	–	–	(444)	(1.5)	24,897	17.7	(1,676)	38.0	(2,225)	34.0	–	–	20,552	15.0

Group – 2013

	Hong Kong		The Netherlands		Mainland China		Others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	(2,301)		7,435		171,199		(18,538)		157,795	
Income tax at the statutory income tax rate	(380)	16.5	1,775	23.9	42,800	25.0	–	–	44,195	28.0
Tax effects on preferential tax rates	–	–	–	–	(16,067)	(9.4)	–	–	(16,067)	(10.2)
Non-deductible items and others, net	–	–	1,067	14.3	1,143	0.7	–	–	2,210	1.4
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiary	–	–	–	–	5,556	3.2	–	–	5,556	3.5
Additional deduction of expenses	–	–	(2,016)	(27.1)	(548)	(0.3)	–	–	(2,564)	(1.6)
Tax losses not recognised	380	(16.5)	–	–	–	–	–	–	380	0.3
Adjustments in respect of current tax in previous periods	–	–	(74)	(1.0)	(2,706)	(1.6)	–	–	(2,780)	(1.8)
Tax charge at the Group's effective rate	–	–	752	10.1	30,178	17.6	–	–	30,930	19.6

The share of tax attributable to associates amounting to RMB990,000 (2013: Nil), is included in "Share of profits of associates" in the consolidated statement of profit or loss and other comprehensive income.

11. Dividends

	2014	**2013**
	RMB'000	*RMB'000*
Proposed final – Nil (2013: HK$0.10) per ordinary share	–	77,589

The proposed final dividend for the year ended 31 December 2013 which was approved by the Company's shareholders at the 2013 annual general meeting on 19 August 2014 was paid out of Company's share premium account.

12. Profit attributable to owners of the parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB15,428,000 (2013: RMB17,459,000) which has been dealt with in the financial statements of the Company *(note 32(b))*.

13. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 986,843,000 (2013: 986,843,000) in issue during the year.

Earnings

	2014	**2013**
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	90,219	120,705

Shares

	2014	**2013**
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	986,843,000	986,843,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

14. Property, plant and equipment

Group

	Land and buildings *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2014							
At 31 December 2013 and 1 January 2014:							
Cost	163,117	167,216	5,840	15,518	12,009	74,205	437,905
Accumulated depreciation and impairment	(23,820)	(41,442)	(4,607)	(3,769)	(3,271)	–	(76,909)
Net carrying amount	139,297	125,774	1,233	11,749	8,738	74,205	360,996
At 1 January 2014, net of accumulated depreciation and impairment	139,297	125,774	1,233	11,749	8,738	74,205	360,996
Additions	6,476	68,150	41	3,483	267	128,083	206,500
Disposals	–	(7)	–	(3)	–	–	(10)
Depreciation provided during the year	(11,987)	(21,941)	(1,096)	(3,251)	(1,933)	–	(40,208)
Impairment provided during the year	–	–	–	–	(260)	–	(260)
Transfers	49,057	–	–	–	4,145	(53,202)	–
Transfers to other intangible assets *(note 17)*	–	–	–	–	–	(1,096)	(1,096)
Exchange realignment	(14,674)	(17,135)	–	(897)	57	(10,111)	(42,760)
At 31 December 2014, net of accumulated depreciation and impairment	168,169	154,841	178	11,081	11,014	137,879	483,162
At 31 December 2014:							
Cost	201,422	181,049	5,881	16,337	17,387	137,879	559,955
Accumulated depreciation and impairment	(33,253)	(26,208)	(5,703)	(5,256)	(6,373)	–	(76,793)
Net carrying amount	168,169	154,841	178	11,081	11,014	137,879	483,162

Group

	Land and buildings *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2013							
At 31 December 2012 and 1 January 2013:							
Cost	155,633	116,141	5,647	11,471	11,186	9,679	309,757
Accumulated depreciation and impairment	(12,697)	(25,825)	(3,476)	(905)	(2,564)	–	(45,467)
Net carrying amount	142,936	90,316	2,171	10,566	8,622	9,679	264,290
At 1 January 2013, net of accumulated depreciation and impairment	142,936	90,316	2,171	10,566	8,622	9,679	264,290
Additions	6,108	51,325	193	3,981	1,789	63,339	126,735
Disposals	–	(30)	–	(53)	–	–	(83)
Depreciation provided during the year	(10,845)	(15,981)	(1,131)	(2,841)	(1,374)	–	(32,172)
Impairment provided during the year	–	(1,557)	–	–	(293)	–	(1,850)
Transfers to other intangible assets *(note 17)*	–	–	–	–	–	(296)	(296)
Exchange realignment	1,098	1,701	–	96	(6)	1,483	4,372
At 31 December 2013, net of accumulated depreciation and impairment	139,297	125,774	1,233	11,749	8,738	74,205	360,996
At 31 December 2013:							
Cost	163,117	167,216	5,840	15,518	12,009	74,205	437,905
Accumulated depreciation and impairment	(23,820)	(41,442)	(4,607)	(3,769)	(3,271)	–	(76,909)
Net carrying amount	139,297	125,774	1,233	11,749	8,738	74,205	360,996

The net carrying amount of the Group's fixed assets held under finance leases included in the total amount of machinery at 31 December 2014 amounted to EUR3,315,000 (equivalent to approximately RMB24,715,000) (2013: EUR125,000, equivalent to approximately RMB1,052,000).

At 31 December 2014, certain of the Group's land and buildings, and plant and equipment that were attributed to the Ausnutria Hyproca Group and located in the Netherlands with net carrying amounts of EUR14,766,000 (equivalent to approximately RMB110,089,000) (2013: EUR8,484,000, equivalent to approximately RMB71,426,000) and EUR28,391,000 (equivalent to approximately RMB211,672,000) (2013: EUR22,085,000, equivalent to approximately RMB185,934,000), respectively, were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group *(note 27(b))*.

The Group's land included in property, plant and equipment with a net carrying amount of EUR7,354,000 (equivalent to approximately RMB54,826,000) (2013: EUR2,157,000, equivalent to approximately RMB18,163,000) is situated in the Netherlands and is held as freehold land.

15. Prepaid land lease payments

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Carrying amount at 1 January	2,142	2,199
Amortised during the year	(57)	(57)
Carrying amount at 31 December	2,085	2,142
Current portion included in prepayments, deposits and other receivables	(57)	(57)
Non-current portion	2,028	2,085

The leasehold land is situated in Mainland China and is held under a long term lease.

16. Goodwill

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
At 1 January:		
Cost	85,495	84,466
Accumulated impairment	–	–
Net carrying amount	85,495	84,466
Cost at 1 January, net of accumulated impairment	85,495	84,466
Exchange realignment	(9,782)	1,029
Cost at 31 December, net of accumulated impairment	75,713	85,495
At 31 December:		
Cost	75,713	85,495
Accumulated impairment	–	–
Net carrying amount	75,713	85,495

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the product cash-generating unit for impairment testing, which includes four subsidiaries, namely Hyproca Dairy B.V. ("Hyproca Dairy"), Lypack Leeuwarden B.V. ("Lypack"), Hyproca Nutrition B.V. ("Hyproca Nutrition") and Lyempf Kampen B.V. ("Hyproca Lyempf").

Product cash-generating unit

The recoverable amount of the product cash-generating unit has been determined based on a fair value less costs to sell calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10%. The growth rate used to extrapolate the cash flows of the product cash-generating unit beyond the five-year period is from 3% to 5%.

Assumptions were used in the fair value less costs to sell calculation of the product cash-generating unit for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

17. Other intangible assets

Group

	Non-patent technology	Trademarks	Software	Milk collection right	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014						
Cost at 1 January 2014, net of accumulated amortisation	3,986	1,010	12,323	14,524	1,683	33,526
Additions	2,236	459	3,508	–	975	7,178
Acquisition of a subsidiary *(note 33)*	–	–	–	16,366	–	16,366
Transfers from property, plant and equipment *(note 14)*	–	–	1,096	–	–	1,096
Disposals	–	–	–	–	(442)	(442)
Amortisation provided during the year	(451)	(266)	(3,142)	(4,051)	(367)	(8,277)
Exchange realignment	(593)	(71)	(737)	(3,342)	(207)	(4,950)
At 31 December 2014	5,178	1,132	13,048	23,497	1,642	44,497
At 31 December 2014:						
Cost	6,228	1,733	24,564	32,337	2,005	66,867
Accumulated amortisation	(1,050)	(601)	(11,516)	(8,840)	(363)	(22,370)
Net carrying amount	5,178	1,132	13,048	23,497	1,642	44,497

	Non-patent technology *RMB'000*	Trademarks *RMB'000*	Software *RMB'000*	Milk collection right *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2013						
At 1 January 2013:						
Cost	969	835	17,564	20,065	572	40,005
Accumulated amortisation	(512)	(138)	(6,059)	(3,170)	(19)	(9,898)
Net carrying amount	457	697	11,505	16,895	553	30,107
Cost at 1 January 2013, net of accumulated amortisation	457	697	11,505	16,895	553	30,107
Additions	3,582	525	3,346	–	1,308	8,761
Transfers from property, plant and equipment *(note 14)*	–	–	296	–	–	296
Disposals	–	–	–	–	(200)	(200)
Amortisation provided during the year	(133)	(219)	(2,905)	(2,522)	(9)	(5,788)
Exchange realignment	80	7	81	151	31	350
At 31 December 2013	3,986	1,010	12,323	14,524	1,683	33,526
At 31 December 2013:						
Cost	4,632	1,369	21,355	20,309	1,712	49,377
Accumulated amortisation	(646)	(359)	(9,032)	(5,785)	(29)	(15,851)
Net carrying amount	3,986	1,010	12,323	14,524	1,683	33,526

18. Investments in subsidiaries

	Company 2014 *RMB'000*	Company 2013 *RMB'000*
Unlisted shares, at cost	171,320	171,320

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB442,365,000 (2013: RMB530,740,000) and RMB31,852,000 (2013: RMB30,853,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Spring Choice Limited	British Virgin Islands	US$200	100	–	Investment holding
Ausnutria Dairy Co., Ltd.	Hong Kong	HK$1	–	100	Investment holding
Ausnutria Australia Dairy Pty Ltd.	Australia	AU$500,000	–	100	Investment holding
Ausnutria China*	The PRC/ Mainland China	RMB68,633,832	–	100	Production, marketing and distribution of paediatric nutrition products in Mainland China

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Ausnutria Dairy (HK) Company Limited	Hong Kong	HK$100	–	100	Marketing and distribution of paediatric nutrition products in Hong Kong
Ausnutria Dairy (Dutch) Coöperatief U.A. ("Ausnutria (Dutch)")	The Netherlands	EUR13,800,000	–	100	Investment holding
Ausnutria Dairy Investment B.V.	The Netherlands	EUR1	–	100	Investment holding
Ausnutria Hyproca B.V.	The Netherlands	EUR4,086,000	–	51	Investment holding
Hyproca Nutrition Co., Ltd.** ("HNC")	The PRC/ Mainland China	RMB10,000,000	–	43.4#	Marketing and distribution of goat milk based nutrition products in Mainland China
Hyproca Dairy***	The Netherlands	EUR18,200	–	51#	Manufacture of nutrition products
Lypack***	The Netherlands	EUR18,151	–	51#	Processing and packaging of nutrition products

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Hyproca Nutrition***	The Netherlands	EUR725,358	–	51#	Marketing and distribution of goat milk based nutrition products
Hyproca Lyempf***	The Netherlands	EUR21,500	–	51#	Manufacture of nutrition products
Neolac (Shanghai) Nutrition Co. Ltd.*	The PRC/ Mainland China	RMB10,000,000	–	51#	Trading of nutrition products in Mainland China
Hyproca Nutrition East Limited	Hong Kong/ Russia	HK$4,000,000	–	26#	Trading of nutrition products in Russia
Hyproca Nutrition Middle East FZCO	Dubai	AED1,500,000	–	30.6#	Trading of nutrition products
Hyproca Nutrition USA Inc.	United States	US$1	–	38.3#	Trading of nutrition products in the United States

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary shares/ registered capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Hyproca Nutrition Canada Inc.	Canada	EUR72	–	38.3#	Trading of nutrition products in Canada

* *Wholly-foreign-owned enterprise*

** *Sino-foreign equity joint venture*

*** *The four companies are the principal operating subsidiaries of Ausnutria Hyproca which were acquired by the Group on 17 October 2011.*

These are subsidiaries of Ausnutria Hyproca. Accordingly, they are accounted for as subsidiaries by virtue of the Company's control over them.

During the year, the Ausnutria Hyproca Group acquired the entire equity interests in Sanimel B.V. ("Sanimel"), a company incorporated in the Netherlands and engaged in the collection and trading of goat milk. Further details of this acquisition are included in note 33.

The English names of Ausnutria China, Hyproca Nutrition Co. Ltd. and Neolac (Shanghai) Nutrition Co. Ltd. are direct transliterations of their registered Chinese names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. Giving details of all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Hyproca Lyempf	49%	49%
Lypack	49%	49%
HNC	56.6%	56.6%

	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) for the year allocated to non-controlling interests:		
Hyproca Lyempf	(13,201)	(3,851)
Lypack	14,280	10,399
HNC	16,885	5,970
Accumulated balances of non-controlling interests at the reporting dates:		
Hyproca Lyempf	18,794	34,899
Lypack	4,198	(10,055)
HNC	28,319	11,434

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2014	**HNC**	**Hyproca Lyempf**	**Lypack**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	259,371	556,877	800,545
Total expenses	(229,565)	(583,818)	(771,402)
Profit/(loss) for the year	29,806	(26,941)	29,143
Total comprehensive income/(loss) for the year	29,806	(26,941)	29,143
Current assets	123,358	136,812	146,195
Non-current assets	13,777	155,554	39,687
Current liabilities	(86,636)	(251,428)	(147,886)
Non-current liabilities	(510)	(2,584)	(29,428)
Net cash flows from/(used in) operating activities	14,484	(65,987)	46,313
Net cash flows used in investing activities	(66)	(49,163)	(878)
Net cash flows from/(used in) financing activities	–	115,150	(45,440)
Net increase/(decrease) in cash and cash equivalents	14,418	–	(5)

2013	HNC	Hyproca Lyempf	Lypack
	RMB'000	*RMB'000*	*RMB'000*
Revenue	137,687	389,920	496,735
Total expenses	(127,149)	(397,779)	(475,513)
Profit/(loss) for the year	10,538	(7,859)	21,222
Total comprehensive income/(loss) for the year	10,538	(7,859)	21,222
Current assets	45,638	110,462	174,470
Non-current assets	4,315	124,714	43,905
Current liabilities	(29,770)	(160,698)	(229,954)
Non-current liabilities	–	(3,255)	(8,941)
Net cash flows from/(used in) operating activities	(4,473)	44,736	(59,962)
Net cash flows used in investing activities	(147)	(30,979)	(23,774)
Net cash flows from/(used in) financing activities	–	(13,757)	83,732
Net decrease in cash and cash equivalents	(4,620)	–	(4)

19. Investments in associates

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Share of net assets	26,076	–
Goodwill on acquisition	4,025	–
	30,101	–

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Farmel Holding B.V.	Ordinary shares of EUR1 each	The Netherlands	25.5	Investment holding
Farmel Dairy B.V.	Ordinary shares of EUR1 each	The Netherlands	25.5	Collection and trading of cow and goat milk
Farmel Dairy Products B.V.	Ordinary shares of EUR1 each	The Netherlands	25.5	Collection and trading of cow and goat milk

The Group's shareholdings in the associates represent the equity shares which are 50% held by Ausnutria Hyproca, a 51%-owned subsidiary of the Company.

The financial years of the above associates are coterminous with that of the Group. The above associates are principally engaged in the trading of cow and goat milk and are accounted for using the equity method.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014	**2013**
	RMB'000	*RMB'000*
Share of the associates' profit for the period	3,959	–
Share of the associates' total comprehensive income	3,959	–
Aggregate carrying amounts of the Group's investments in the associates (including goodwill on acquisition)	30,101	–

20. Inventories

	Group 2014 RMB'000	Group 2013 RMB'000
Raw materials	184,909	154,771
Finished goods	326,969	156,885
Others	3,681	3,997
Total	515,559	315,653

At 31 December 2014, certain of the Group's inventories that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EUR40,879,000 (equivalent to approximately RMB304,777,000) (2013: EUR24,142,000, equivalent to approximately RMB203,249,000) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group *(note 27(b))*.

21. Trade and bills receivables

	Group 2014 RMB'000	Group 2013 RMB'000
Trade receivables	124,115	140,528
Bills receivable	39,447	35,119
Total	163,562	175,647

The Group normally allows a credit period from 1 to 12 months (2013: from 1 to 12 months) to certain customers. The Group seeks to maintain strict control over its outstanding receivables. 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 large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables, amounts due from associates of EUR602,000 (equivalent to approximately RMB4,491,000) (2013: Nil) which are repayable on similar credit terms to those offered to the major customers of the Group.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	106,602	105,426
3 to 6 months	11,396	16,762
6 months to 1 year	3,146	18,044
Over 1 year	2,971	296
Total	124,115	140,528

There was no provision for impairment as at 31 December 2014 (2013: Nil). The carrying amounts of the trade and bills receivables approximate to their fair values.

The aged analysis of the trade receivables of the Group that are not individually nor collectively considered to be impaired is as follows:

	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	105,788	118,678
Within 3 months past due	13,370	19,511
3 months to 1 year past due	4,957	2,339
Total	124,115	140,528

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

Receivables that were past due but not impaired relate to a number of independent 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 at this stage because there has not been a significant change in the credit quality of the individual debtors and the balances are considered fully recoverable.

At 31 December 2014, certain of the Group's trade receivables that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EUR14,786,000 (equivalent to approximately RMB110,239,000) (2013: EUR13,260,000, equivalent to approximately RMB111,635,000) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group *(note 27(b))*.

22. Prepayments, deposits and other receivables

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers		15,298	46,703	–	–
Due from subsidiaries	*18*	–	–	442,365	530,740
Insurance claims		26,691	18,127	–	–
Interest income receivable		13,664	14,594	–	–
Other tax recoverable		15,113	11,296	–	–
Others		33,569	29,703	1,936	741
		104,335	120,423	444,301	531,481

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to entities which have no recent history of default.

23. Cash and cash equivalents and other bank deposits and pledged deposits

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances		278,277	161,161	3,926	8,659
Time deposits		682,000	709,295	–	–
		960,277	870,456	3,926	8,659
Less: Pledged deposits	*27(b)(v)*	(216,900)	(213,000)	–	–
Non-pledged time deposits with maturity of between 3 months to 12 months		(465,100)	(496,295)	–	–
Cash and cash equivalents in the consolidated statement of financial position		278,277	161,161	3,926	8,659

At the end of the reporting period, the Group's cash and bank balances denominated in RMB amounted to RMB260,679,000 (2013: RMB144,169,000). In addition, all the time deposits of the Group were denominated in RMB. The RMB is not freely convertible in the international market. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to convert RMB into other currencies through banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on published daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. Trade payables

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Within 12 months	184,107	167,942
Over 12 months	108	9
	184,215	167,951

Included in the trade payables, amount due to associates of EUR4,215,000 (equivalent to approximately RMB31,425,000) (2013: Nil) are repayable within 45 days.

Trade payables are interest-free and are normally settled within 12 months.

25. Other payables and accruals

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers		81,546	44,941	–	–
Deferred income		99,480	70,128	–	–
Deposits		13,705	15,547	–	–
Due to subsidiaries	*18*	–	–	31,852	30,853
Accrued salaries and welfare		35,650	25,338	–	–
Other tax payables		18,393	14,705	–	–
Provision for claims from customers		11,929	8,915	–	–
Other payables		39,354	36,995	1,406	2,818
Accruals		73,412	39,984	–	–
		373,469	256,553	33,258	33,671

Other payables are non-interest-bearing and have no fixed terms of repayment.

26. Derivative financial instruments

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Interest rate swaps entered into by the Ausnutria Hyproca Group	404	716

The Ausnutria Hyproca Group has entered into various interest rate swap contracts to manage its interest rate exposures. These interest rate swaps are measured at fair value through profit or loss. A net fair value gain on these interest rate swaps amounting to RMB250,000 (2013: gain of RMB418,000) and a net exchange gain amounting to RMB62,000 (2013: loss of RMB5,000) were recognised in profit or loss for the year ended 31 December 2014.

27. Interest-bearing bank loans and other borrowings

The following table illustrates the interest-bearing bank loans and other borrowings of the Group:

Group

	2014			2013		
	Annual effective interest rate *(%)*	**Maturity**	*RMB'000*	**Annual effective interest rate** *(%)*	**Maturity**	*RMB'000*
Current						
Finance lease payables *(note 30)*	3.0 – 4.56	2015	4,271	3.0	2014	427
Bank overdrafts – secured	1 month EURIBOR +2.0	2015	187,325	1 month EURIBOR +2.0	2014	171,581
Bank loan – secured	3 month LIBOR+1.8	2015	74,556	3 month EURIBOR +1.8	2014	84,189
Bank loan – secured	3 month LIBOR+2.2	2015	74,556	–	–	–
Bank loan – secured	3 month HIBOR+2.1	2015	86,779	–	–	–
Bank loan – secured	12 month HIBOR +2.55	2015	31,556	–	–	–
Current portion of long-term bank loans – secured	4.45*	2015	1,864	4.45*	2014	2,105
Current portion of long-term bank loans – secured	1 month EURIBOR +2.0	2015	1,491	1 month EURIBOR +2.0	2014	1,684
Other loans – unsecured** *(note 38(b))*	2.0	2015	54,799	–	–	–
			517,197			259,986

Group

	2014			2013		
	Annual effective interest rate *(%)*	**Maturity**	*RMB'000*	**Annual effective interest rate** *(%)*	**Maturity**	*RMB'000*
Non-current						
Finance lease payables *(note 30)*	3.0 – 4.56	2020	20,444	3.0	2015	264
Bank loans – secured	4.45*	2017	3,728	4.45*	2017	6,314
Bank loans – secured	1 month EURIBOR +2.0	2017	23,858	1 month EURIBOR +2.0	2017	28,624
Other loans – unsecured***	3 month EURIBOR +3.0	2017	3,288	3 month EURIBOR +3.0	2017	1,650
Other loans – unsecured***	6.0	2018	546	–	–	–
			51,864			36,852
			569,061			296,838

* *Included the effects of related interest rate swaps as further detailed in note 26 to the financial statement*

** *Loans from Dutch Dairy Investments B.V. ("DDI")*

*** *Loans from non-controlling shareholders of subsidiaries*

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	458,127	259,559
In the second year	3,355	3,788
In the third to fifth years, inclusive	24,231	31,150
	485,713	294,497
Other borrowings repayable:		
Within one year or on demand	59,070	427
In the second year	4,524	264
In the third to fifth years, inclusive	16,571	1,650
After five years	3,183	–
	83,348	2,341
	569,061	296,838

Notes:

(a) The Group's bank overdraft facilities that were attributed to the Ausnutria Hyproca Group amounting to EUR27,000,000 (equivalent to approximately RMB201,301,000) (2013: EUR21,000,000, equivalent to approximately RMB176,797,000), of which EUR25,125,000 (equivalent to approximately RMB187,325,000) (2013: EUR20,380,000, equivalent to approximately RMB171,581,000) had been utilised as at 31 December 2014.

(b) Certain of the Group's bank loans and overdraft facilities are secured by:

(i) mortgages over the Ausnutria Hyproca Group's land and buildings situated in the Netherlands, which had an aggregate carrying value at the end of the reporting period of EUR14,766,000 (equivalent to approximately RMB110,089,000) (2013: EUR8,484,000 (equivalent to approximately RMB71,426,000));

(ii) pledges of the Ausnutria Hyproca Group's plant and equipment situated in the Netherlands, which had an aggregate carrying value at the end of the reporting period of EUR28,391,000 (equivalent to approximately RMB211,672,000) (2013: EUR22,085,000 (equivalent to approximately RMB185,934,000));

(iii) pledges of the Ausnutria Hyproca Group's inventories, which had an aggregate carrying value at the end of the reporting period of EUR40,879,000 (equivalent to approximately RMB304,777,000) (2013: EUR24,142,000 (equivalent to approximately RMB203,249,000));

(iv) pledges of the Ausnutria Hyproca Group's trade receivables, which had an aggregate carrying value at the end of the reporting period of EUR14,786,000 (equivalent to approximately RMB110,239,000) (2013: EUR13,260,000 (equivalent to approximately RMB111,635,000)); and

(v) pledges of certain of the Ausnutria Group's time deposits amounting to RMB216,900,000 (2013: RMB213,000,000).

(c) Except for two bank loans of a total of HK$150,000,000 (equivalent to approximately RMB118,335,000) (2013: Nil) which are denominated in Hong Kong dollars, all borrowings are denominated in Euro.

28. Defined benefit plan

Hyproca Dairy operates an unfunded defined benefit plan for all its qualifying employees. Under the plan, the employees are entitled to retirement benefits at rates varying from 0% to 70% of their final salaries on attainment of a retirement age of 67 (2013: age of 65).

The employees who participate in this defined benefit plan will move to another pension plan which will be treated as defined contribution plan as from 1 January 2015. All rights from previous years will remain the old defined benefit plan. Sensitivity on future salary and pension costs is not applicable for the Group's defined benefit plan.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. The trustees decide the amount of contribution based on the results of the annual review.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2014 by the appraiser, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2014	**2013**
Discount rate *(%)*	1.90	3.00
Expected rate of future pension cost increases *(%)*	0.00	1.50
Expected rate of salary increases *(%)*	2.50	2.50

The actuarial valuation showed that the market value of plan assets was RMB30,016,000 (2013: RMB19,912,000) and that the actuarial value of these assets represented 65.6% (2013: 51.9%) of the benefits that had accrued to qualifying employees. The deficiency of RMB15,709,000 (2013: RMB18,454,000) is expected to be cleared over the remaining life expectancy (based on unconditional future indexations for active and post-active participants).

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate	**Increase/ (decrease) in defined benefit obligations**	**Decrease in rate**	**Increase/ (decrease) in defined benefit obligations**
	%	*RMB'000*	*%*	*RMB'000*
2014				
Discount rate	0.25	(3,124)	0.25	2,900

	Increase in rate	**Increase/ (decrease) in defined benefit obligations**	**Decrease in rate**	**Increase/ (decrease) in defined benefit obligations**
	%	*RMB'000*	*%*	*RMB'000*
2013				
Discount rate	0.5	(4,024)	0.5	4,715
Future salary increase	0.5	943	0.5	(884)
Future pension cost increase	0.5	(497)	0.5	547

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Current service cost	(2,820)	1,615
Interest cost	610	708
Net benefit expenses	(2,210)	2,323
Recognised in cost of sales	(2,210)	1,376
Recognised in administrative expenses	–	947
	(2,210)	2,323

The movements in the present value of the defined benefit obligations are as follows:

	2014	**2013**
	RMB'000	*RMB'000*
At 1 January	38,366	34,751
Current service cost	(2,820)	1,615
Interest cost	16,242	2,175
Benefit paid	(618)	(667)
Exchange differences on a foreign plan	(5,445)	492
At 31 December	45,725	38,366

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2014

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income							
	1 January 2014	Service cost	Net interest expense	Sub-total included in profit or loss	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contribution by employer	Foreign exchange difference	31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Defined benefit obligations	(38,366)	2,820	(1,105)	1,715	618	–	171	(12,448)	(2,860)	(15,137)	–	5,445	(45,725)
Fair value of plan assets	19,912	–	495	495	(618)	12,090	–	–	–	12,090	1,528	(3,391)	30,016
Benefit liability	(18,454)	2,820	(610)	2,210	–	12,090	171	(12,448)	(2,860)	(3,047)	1,528	2,054	(15,709)

2013

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income							
	1 January 2014	Service cost	Net interest expense	Sub-total included in profit or loss	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contribution by employer	Foreign exchange difference	31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Defined benefit obligations	(34,751)	(1,615)	(939)	(2,554)	667	–	(1,236)	–	–	(1,236)	–	(492)	(38,366)
Fair value of plan assets	17,334	–	231	231	(667)	–	1,063	–	–	1,063	1,689	262	19,912
Benefit liability	(17,417)	(1,615)	(708)	(2,323)	–	–	(173)	–	–	(173)	1,689	(230)	(18,454)

The fair value of the total plan assets at 31 December 2014 was RMB30,016,000 (2013: RMB19,912,000).

Expected contributions to the defined benefit plan in future years are as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Within the next 12 months	596	1,583
Between 2 and 5 years	2,058	6,903
Between 5 and 10 years	5,040	1,726
Total expected contributions	7,694	10,212

The average duration of the defined benefit obligations at the end of the reporting period was 25.3 (2013: 22.8) years.

29. Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

Group

	2014				
	Depreciation allowance in excess of related depreciation	**Fair value adjustment arising from acquisition of subsidiaries**	**Milk collection rights**	**Withholding taxes**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014					
At 1 January 2014	5,872	11,780	848	11,739	30,239
Deferred tax charged/ (credited) to profit or loss during the year *(note 10)*	(930)	(1,699)	(648)	510	(2,767)
Arising on acquisition of a subsidiary *(note 33)*	–	–	3,928	–	3,928
Exchange difference	(595)	(1,208)	(527)	–	(2,330)
Gross deferred tax liabilities at 31 December 2014	4,347	8,873	3,601	12,249	29,070

Group

	2013				
	Depreciation allowance in excess of related depreciation	**Fair value adjustment arising from acquisition of subsidiaries**	**Milk collection rights**	**Withholding taxes**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013					
At 1 January 2013	6,874	13,378	1,117	6,183	27,552
Deferred tax charged/ (credited) to profit or loss during the year *(note 10)*	(1,063)	(1,723)	(277)	5,556	2,493
Exchange difference	61	125	8	–	194
Gross deferred tax liabilities at 31 December 2013	5,872	11,780	848	11,739	30,239

Deferred tax assets

Group

	2014						
	Defined benefit plan	**Losses available for offsetting against future taxable income**	**Provision against inventories**	**Deductible temporary differences**	**Deferred income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014							
At 1 January 2014	4,429	7,188	26	6,240	11,760	195	29,838
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	(897)	3,958	1,460	7,621	6,112	265	18,519
Deferred tax charged to equity during the year	731	–	–	–	–	–	731
Exchange difference	(493)	(1,029)	–	–	–	(44)	(1,566)
Gross deferred tax assets at 31 December 2014	3,770	10,117	1,486	13,861	17,872	416	47,522

Group

	2013						
	Defined benefit plan	**Losses available for offsetting against future taxable income**	**Provision against inventories**	**Deductible temporary differences**	**Deferred income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013							
At 1 January 2013	4,180	8,966	26	3,381	7,564	1,168	25,285
Deferred tax credited/ (charged) to profit or loss during the year *(note 10)*	152	(1,830)	–	2,859	4,196	(966)	4,411
Deferred tax charged to equity during the year	42	–	–	–	–	–	42
Exchange difference	55	52	–	–	–	(7)	100
Gross deferred tax assets at 31 December 2013	4,429	7,188	26	6,240	11,760	195	29,838

Management expects it is probable that taxable profits will be available against which the above tax losses and deducible temporary differences can be utilised in the coming years.

The Group has tax losses arising in Hong Kong of RMB6,160,000 (2013: RMB4,807,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from January 2008. The applicable rate for the Group is 10% (2013: 10%).

As at 31 December 2014, the Group has not recognised deferred tax liabilities of RMB34,400,000 (2013: RMB37,464,000) in respect of temporary differences relating to the unremitted earnings of subsidiaries, amounting to RMB343,966,000 (2013: RMB374,635,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Finance lease payables

The Group leases certain of its plant and machinery for its production business. These leases are classified as finance leases and have remaining lease terms ranging from one to six years.

At 31 December 2014, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2014	Minimum lease payments 2013	Present value of minimum lease payments 2014	Present value of minimum lease payments 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:				
Within one year	5,195	460	4,271	427
In the second year	4,957	269	4,524	264
In the third to fifth years, inclusive	13,957	–	12,737	–
After five years	3,488	–	3,183	–
Total minimum finance lease payments	27,597	729	24,715	691
Future finance charges	(2,882)	(38)		
Total net finance lease payables	24,715	691		
Portion classified as current liabilities *(note 27)*	(4,271)	(427)		
Non-current portion *(note 27)*	20,444	264		

31. Share capital

Shares

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2013: 1,500,000,000) ordinary shares of HK$0.10 each	150,000	150,000

	2014		2013	
	HK$'000	*RMB'000 equivalent*	*HK$'000*	*RMB'000 equivalent*
Issued and fully paid:				
986,843,000 (2013: 986,843,000) ordinary shares	98,684	86,866	98,684	86,866

During the year, there was no movement in share capital (2013: Nil).

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 69 to 70 of the financial statements.

(i) Capital reserve

Capital reserve represents the aggregate issued paid-in capital of subsidiaries comprising the Group in 2009 and contribution from the then owners of certain property, plant and equipment and a lease prepayment for land use rights at nil consideration in 2007.

(ii) Statutory surplus reserve

According to the PRC Company Law, each of the PRC subsidiaries of the Group is required to transfer 10% of its after tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the Company, provided that such fund is maintained at a minimum level of 25% of the registered capital.

(b) Company

	Share premium	Capital reserve*	Accumulated losses	Exchange fluctuation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	533,856	171,320	(25,403)	(55,283)	624,490
Total comprehensive loss for the year	–	–	(17,459)	(16,108)	(33,567)
Final 2013 dividend declared and paid *(note 11)*	(77,589)	–	–	–	(77,589)
At 31 December 2013 and 1 January 2014	456,267	171,320	(42,862)	(71,391)	513,334
Total comprehensive loss for the year	–	–	(15,428)	1,517	(13,911)
At 31 December 2014	456,267	171,320	(58,290)	(69,874)	499,423

* *The Company's capital reserve represents the excess of the net asset value of the subsidiaries acquired pursuant to a group reorganisation in 2009 over the nominal value of the Company's shares issued in exchange therefor.*

33. Business combination

During 2014, Hyproca Goat Milk B.V. ("HGM"), a subsidiary within the Ausnutria Hyproca Group, acquired 100% equity interest in Sanimel from independent third parties (the "Sanimel Acquisition"). Sanimel is engaged in the collection and trading of goat milk. The Sanimel Acquisition was made as part of the Ausnutria Hyproca Group's strategy to expand its market share on the production and sale of goat milk based dairy products. The consideration for the Sanimel Acquisition was settled by the issuance of new shares of HGM to the two former shareholders of Sanimel. Upon completion of the Sanimel Acquisition, the interest of Ausnutria Hyproca Group in HGM was diluted from 100% to 56%.

The fair values of the identifiable assets and liabilities of Sanimel as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Other intangible assets	*17*	16,366
Trade and bills receivables		3,401
Deferred tax liabilities	*29*	(3,928)
Tax payable		(14)
Other liabilities		(1,171)
Total identifiable net assets at fair value		14,654
Satisfied by fair values of shares of HGM		14,654

The fair values of the trade receivables as at the date of acquisition amounted to RMB3,401,000. None of the receivables is expected to be uncollectible.

The transaction costs incurred in respect of the Sanimel Acquisition is considered to be insignificant.

34. Contingent liabilities

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities (2013: Nil).

35. Pledge of assets

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in notes 14, 20, 21, 23 and 27, respectively, to the financial statements.

36. Operating lease arrangements

As lessee

At the end of the reporting period, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Within one year	3,377	2,390
In the second to fifth years, inclusive	4,487	4,254
After five years	118	–
	7,982	6,644

As at the end of the reporting period, the Company did not have future minimum lease payments under non-cancellable operating leases (2013: Nil).

37. Commitments

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machineries	2,315	23,331
Buildings	37,636	–
	39,951	23,331

At the end of the reporting period, the Company did not have any significant commitments (2013: Nil).

38. Related party transactions

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2014	**2013**
	Notes	*RMB'000*	*RMB'000*
Purchases of products from the associates	*(i)*	122,800	–
Sales of products to the associates	*(i)*	18,086	–
Management fees received from the associates	*(ii)*	910	–
Interest expense to DDI	*(b)(i)*	278	–

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The management fees were charged based on the management time incurred by the management of the Ausnutria Hyproca Group in the associates.

(b) Outstanding balances with related parties:

(i) As detailed in note 27, the Ausnutria Hyproca Group had two shareholders' loans due to DDI, the 49% non-controlling shareholder of Ausnutria Hyproca, of a total of EUR7,350,000 (equivalent to RMB54,799,000) (2013: Nil) as at the end of the reporting period. The balances are unsecured, bear interest at 2.0% per annum and (subject to certain conditions details of which are set out in the announcements of the Company dated 7 June 2013, 5 November 2013 and 23 September 2014) repayable in 2015. During the year, interest of approximately RMB278,000 (2013: Nil) was paid to DDI.

(ii) Details of the trade balances with the associates as at the end of the reporting period are disclosed in notes 21 and 24 to the financial statements.

(c) Compensation of key management personnel of the Group

	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	17,427	15,530
Retirement benefit contributions	1,294	1,313
Total compensation paid to key management personnel	18,721	16,843

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

39. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2014

Financial assets

	Group Loans and receivables
	RMB'000
Trade and bills receivables	163,562
Financial assets included in prepayments, deposits and other receivables	40,355
Pledged deposits	216,900
Time deposits	465,100
Cash and cash equivalents	278,277
	1,164,194

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	184,215	184,215
Financial liabilities included in other payables and accruals	–	64,988	64,988
Derivative financial instruments	404	–	404
Interest-bearing bank loans and other borrowings	–	569,061	569,061
	404	818,264	818,668

2013

Financial assets

	Group Loans and receivables
	RMB'000
Trade and bills receivables	175,647
Financial assets included in prepayments, deposits and other receivables	32,721
Pledged deposits	213,000
Time deposits	496,295
Cash and cash equivalents	161,161
	1,078,824

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	167,951	167,951
Financial liabilities included in other payables and accruals	–	61,457	61,457
Derivative financial instruments	716	–	716
Interest-bearing bank loans and other borrowings	–	296,838	296,838
	716	526,246	526,962

2014

Financial assets

	Company Loans and receivables
	RMB'000
Due from subsidiaries	442,365
Financial assets included in prepayments, deposits and other receivables	260
Cash and cash equivalents	3,926
	446,551

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Due to subsidiaries	31,852
Financial liabilities included in other payables and accruals	1,406
	33,258

2013

Financial assets

	Company
	Loans and receivables
	RMB'000
Due from subsidiaries	530,740
Financial assets included in prepayments, deposits and other receivables	6
Cash and cash equivalents	8,659
	539,405

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Due to subsidiaries	30,853
Financial liabilities included in other payables and accruals	2,775
	33,628

40. Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, time deposits, the current portion of pledged deposits, trade and bill receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, due to associates, and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amount		Fair value	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments	404	716	404	716
Interest-bearing bank loans and other borrowings	569,061	296,838	566,627	294,234
	569,465	297,554	567,031	294,950

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with ABN-AMRO Bank N.V. Derivative financial instruments, including interest rate swaps measured using valuation techniques similar to forward pricing and swap models measured, using present value calculation. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

As at 31 December 2014, the marked to market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	–	404	–	404

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	–	716	–	716

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (2013: Nil).

41. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans, finance leases and other borrowings, amounts due from/to related parties, and cash and bank balances and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans and other borrowings with a floating interest rate. In order to minimise the impact of interest rate exposure, the Group has entered into interest rate swap contracts with creditworthy banks to manage its interest rate swaps.

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) and the Group's equity.

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
2014		
EUR	100	(5,328)
EUR	(100)	5,328
HK$	100	(2,480)
HK$	(100)	2,480
2013		
EUR	100	(6,131)
EUR	(100)	6,131

Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from sales or purchases by the Group's operating units in the Netherlands and Hong Kong in currencies other than the Group's functional currency (i.e., RMB). In addition, the Group's certain bank balances are denominated in HK$ and EUR, and certain revenue and expenses of subsidiaries of the Group are denominated in HK$ and EUR.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, time deposits, trade and bills receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, interest-bearing bank loans, finance leases and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

			2014			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	31,455	152,186	574	–	–	184,215
Finance lease payables	–	–	5,195	18,914	3,488	27,597
Financial liabilities included in other payables and accruals	25,634	39,354	–	–	–	64,988
Derivative financial instruments	–	404	–	–	–	404
Interest-bearing bank loans and other borrowings	–	–	516,965	32,460	–	549,425
Total	57,089	191,944	522,734	51,374	3,488	826,629

Group

	2013					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	161,343	6,599	9	–	167,951
Finance lease payables	–	–	460	269	–	729
Financial liabilities included in other payables and accruals	28,640	32,817	–	–	–	61,457
Derivative financial instruments	–	716	–	–	–	716
Interest-bearing bank loans and other borrowings	–	–	269,731	40,095	–	309,826
Total	28,640	194,876	276,790	40,373	–	540,679

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2014		
	On demand	Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Due to subsidiaries	31,852	–	31,852
Financial liabilities included in other payables and accruals	–	1,406	1,406
Total	31,852	1,406	33,258

Company

	On demand	2013 Less than 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
Due to subsidiaries	30,853	–	30,853
Financial liabilities included in other payables and accruals	–	2,818	2,818
Total	30,853	2,818	33,671

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 adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total assets. Net debt is calculated as the sum of interest-bearing bank loans and other borrowings, less pledged deposits, time deposits and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Interest-bearing bank loans and other borrowings	569,061	296,838
Less: Pledged deposits	(216,900)	(213,000)
Time deposits	(465,100)	(496,295)
Cash and cash equivalents	(278,277)	(161,161)
Net debt	(391,216)	(573,618)
Total assets	2,433,267	2,002,701
Gearing ratio	N/A	N/A

42. Event after the reporting period

Save as disclosed elsewhere in this report, the Group has the following event which took place subsequent to the end of the reporting period:

On 12 January 2015, the Company, Ausnutria (Dutch) and DDI entered into a share purchase agreement (the "Share Purchase Agreement") pursuant to which DDI agreed to sell and Ausnutria (Dutch) agreed to purchase the remaining 49% equity interests in Ausnutria Hyproca from DDI by (i) the issuance of 200,000,000 new shares of the Company, representing approximately 16.85% of the enlarged issued share capital of the Company; and (ii) the cash consideration of HK$20,125,000. Upon completion of the Share Purchase Agreement, Ausnutria Hyproca will become an indirect wholly-owned subsidiary of the Company.

Further details regarding the Share Purchase Agreement are set out in the announcement of the Company dated 12 January 2015.

43. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

III. QUALIFICATION CONTAINED IN THE AUDITORS' REPORT

Ernst & Young, being the auditors of the Company, issued a disclaimer of opinion on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2012. Ernst & Young did not issue any qualifications in respect of the Group's financial statements for the years ended 31 December 2013 and 31 December 2014.

The qualification contained in the auditors' report in respect of the Company's financial statements for the year ended 31 December 2012 is reproduced below:

Basis for disclaimer of opinion on the Profit and Cash Flows

As further explained in our report dated 5 December 2013 on the Group's consolidated financial statements for the year ended 31 December 2011, during the course of our audit, we noticed, among other matters, certain irregularities in the accounting records of a wholly-owned subsidiary of the Company, Ausnutria Dairy (China) Co., Ltd. ("**Ausnutria China**"). These irregularities mainly related to certain sales transactions and related accounts, including but not limited to, revenue, cost of sales, trade receivable, inventories and other payables (collectively referred to as the "**Unresolved Issues**"). The Unresolved Issues raised our concern over the authenticity of Ausnutria China's accounting records and supporting documents, including those relating to sales transactions in the amount of approximately RMB123 million (RMB143.5 million inclusive of value added-tax) recorded in the month of December 2011.

The Unresolved Issues mainly included the following:

- there were inconsistencies between goods delivery documents and the accounting records for certain sales transactions in December 2011, and replies from distributors (who are customers of the Group) to supplementary confirmation procedures initiated by Ausnutria China regarding the December 2011 sales transactions revealed further anomalies;

- there were discrepancies during 2011 between the quantity of inventories sold in the accounting records and the quantity of inventories delivered to the distributors in summary delivery records provided by the Group's logistic service provider; and

- data in the old sales order system, which should have ceased to be used from October 2011, had been manually altered after that time, and data in the inventory barcode system had been manually altered without reasonable cause.

We reported the Unresolved Issues to the board of directors of the Company (the "**Board**") in March 2012. This led to the establishment by the Board of a special review committee of the Company (the "**SRC**") on 29 March 2012, whose findings cast doubts over the completeness and authenticity of certain records and documents of Ausnutria China and over the reliability of the information and explanations provided to us by certain members of management of Ausnutria China.

As further explained in note 2.1 to the financial statements, at the request of the SRC, the chief financial officer of the Company and several senior managers of Ausnutria China (the "**Management**") performed certain procedures to quantify the financial impact of the Unresolved Issues on the financial statements. As a result of these procedures, the Management, the SRC and the Board identified adjustments for the reduction of accounts receivable amounting to RMB236 million and the increase in inventory amounting to RMB63 million that were required to be put through to the financial statements for the year ended 31 December 2012.

The Management, the SRC and the Board considered that the best available information on hand for the purpose of quantifying the financial impact of such adjustments on the year ended 31 December 2011 and prior years was the order books (the "**Order Books**") maintained by the staff in the sales accounting department to keep track of the sales order status of, and cash receipts from, distributors. The Company estimated the adjustments required for revenue for the year ended 31 December 2011 and prior years using the total monetary amounts of sales orders received as recorded in the Order Books, after adjusting for those orders received around the respective year end dates to allow for the estimated timing of delivery to distributors. Regarding the cost of sales adjustments, the Company separately estimated the average gross margin rates which it considered to be reasonable for the year ended 31 December 2011 and prior years. Based on these estimations, the Management considered that RMB190 million of the RMB236 million adjustment to the accounts receivable should be adjusted to the accounts receivable at 31 December 2011 as a reduction of revenue and RMB53 million of the RMB63 million adjustment to inventory should be adjusted to the inventory at 31 December 2011 as a reduction of cost of sales, and the remaining adjustment on accounts receivable of RMB46 million and the remaining inventory adjustment of RMB10 million should be adjusted in the consolidated financial statements for the year ended 31 December 2012 as reduction of revenue and cost of sales.

For reasons described below, we were not able to satisfy ourselves on the validity, completeness and accuracy of the adjustments made by the Company for the year ended 31 December 2011 and prior years as a result of the above investigation and quantification. In particular, the procedures to restate the revenue amounts for the year ended 31 December 2011 and prior years by the Company were primarily based on the Order Books, which recorded the monetary amounts of sales orders, dates of orders received and dates of cash receipts using computer spreadsheets, but did not contain any information on the inventory type, quantity, unit price nor date of delivery. In addition, the Order Books were not part of Ausnutria China's financial reporting system, were not subject to the process of internal controls, and had not been reconciled with any other accounting-related documentation such as warehouse records or delivery documents. Furthermore, we have not been provided with sufficient documentation and explanations to support such estimates of average gross margin rates to our satisfaction. Accordingly, the adjustments made to cost of sales might not have the appropriate correlation to the above revenue adjustments, and the resulting gross profit might not have properly reflected the results of sales transactions for the respective years. In addition, the corresponding adjustments made to inventories, trade receivable and other payables might not reflect the amounts of inventories held and amounts due from and due to distributors at the respective year end dates. Due to the break down of the computer hard disk hosting the old sales system and lack of back-up data, there was no practical way for us to verify the authenticity and completeness of the sales order information in the Order Books and the sales cut-off estimates at the respective year end dates, as well as assessing whether the restated revenue amounts appropriately reflected the goods sold and delivered in the respective years.

In summary, we were unable to perform practicable audit procedures to satisfy ourselves on the reliability of information originated from the Order Books and estimates used in the determination of the sales transactions and related accounts. As a result, we disclaimed our opinion on the Group's consolidated financial statements for the year ended 31 December 2011 accordingly.

Furthermore, we were unable to perform practical audit procedures to ascertain whether the adjustments of RMB46 million and RMB10 million adjusted to the profit and loss account for the year ended 31 December 2012 should be adjusted in 2012 or prior years.

Any adjustments that might have been found necessary in respect of the above would have a consequential impact on the Group's opening balances of the consolidated financial statements as at 1 January 2012 and the Group's results for the year ended 31 December 2012 and the information presented in respect of the corresponding figures for the year ended 31 December 2011 in the consolidated financial statements for the year ended 31 December 2012.

Disclaimer of opinion on the Profit and Cash Flows

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Profit and Cash Flows paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the profit and cash flows of the Group. Accordingly, we do not express an opinion on the Group's profit and cash flows for the year ended 31 December 2012.

IV. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 April 2015, being the latest practicable date for inclusion of information in this paragraph headed "Indebtedness statement" prior to the publication of this Composite Document, the Group had outstanding interest-bearing bank and other borrowings of approximately RMB665,033,000 as follows:

	As at 30 April 2015 *RMB'000*
Secured bank borrowings	412,456
Secured bank overdrafts	168,918
Finance leases	20,111
Shareholder's loans	63,548
Total	665,033

As at 30 April 2015, the Group had total available banking facilities of approximately RMB616,388,000 of which approximately RMB601,485,000 had been utilized as at 30 April 2015.

Collateral

As at 30 April 2015, the Group's bank loans, bank overdrafts and finance leases were secured by the pledge of the followings:

	As at 30 April 2015 *RMB'000*
Land and buildings	102,758
Property, plant and equipment	137,237
Inventories	387,126
Trade and other receivables	89,767
Total	716,888

Contingent liabilities

As at the close of business on 30 April 2015, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 30 April 2015, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or debt securities or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 April 2015 up to and including the Latest Practicable Date.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into RMB at the rates of exchange prevailing at the close of business on 30 April 2015.

V. MATERIAL CHANGE

The Directors confirmed that as at the Latest Practicable Date, there had been no material changes in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up to the Latest Practicable Date.

I. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Joint Offerors and parties acting in concert with any of them, the terms of the Offer and the Joint Offerors' intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to the Joint Offerors and parties acting in concert with any of them, the terms of the Offer and the Joint Offerors' intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

II. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date,

(1) the Company did not have any interest in the shares of the Joint Offerors, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the shares of the Joint Offerors;

(2) save as disclosed under the section headed "Directors' Interests" in this Appendix, none of the Directors were interested in the shares of the Joint Offerors, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the shares of the Joint Offerors;

(3) save as disclosed under the section headed "Directors' Interests" in this Appendix, none of the Directors were interested in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;

(4) no securities, derivatives, options, warrants and conversion rights or other similar rights which were convertible or exchangeable into the Shares were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group, or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders;

(5) no shareholding in the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;

(6) save as disclosed under the section headed "The Irrevocable Undertakings" in the "Letter from Optima Capital" which forms part of this Composite Document, none of the Directors had irrevocably committed himself or herself to accept or reject the Offer; and

(7) none of the Directors or the Company had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

During the Relevant Period,

(1) none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of any of the Joint Offerors;

(2) save as disclosed in this paragraph, the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares. During the Relevant Period, Mrs. Lin O, Li-Chu, the spouse of Mr. Lin, dealt in the Shares, details of which are set out in Appendix V to this Composite Document. Ausnutria Holding, a company wholly-owned by Mr. Yan, transferred 113,194,000 shares to the Vendor at nil consideration due to the reorganization of Ausnutria Holding on 15 May 2015. Further, DDI, a company which Mr. Bartle van der Meer, an executive Director and the chief executive officer of the Company, had 46.55% equity interest therein, disposed of 11,000,000 Shares at an average consideration per Share of HK$2.20 on 11 September 2014;

(3) no pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares; and

(4) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

III. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$150,000,000 divided into 1,500,000,000 Shares of HK$0.10 each and the issued share capital of the Company was HK$98,684,300 divided into 986,843,000 Shares of HK$0.10 each. All the existing issued Shares are fully paid and rank *pari passu* in all respect including all rights as to capital, dividends and voting.

During the period from 31 December 2014, being the end of the last financial year of the Company, to the Latest Practicable Date, there was no change in the number of issued shares of the Company.

Save for the 147,459,300 new Shares to be issued by the Company to DDI upon completion of the Ausnutria Hyproca Agreement which will not take place before the close of the Offer, the Company has not entered into any agreement for the issue of any Shares or options, warrants, derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there are no outstanding securities, options, derivatives, warrants and other convertible securities which are convertible or exchangeable into the Shares.

IV. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

V. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) within two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date and are or may be material:

(1) the first shareholder loan agreement dated 7 June 2013 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the provision of the shareholder loan by Ausnutria (Dutch) to Ausnutria Hyproca in the amount of Euro 7.0 million;

(2) the second shareholder loan agreement dated 1 November 2013 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the provision of the shareholder loan by Ausnutria (Dutch) to Ausnutria Hyproca in the amount of Euro 10.0 million;

(3) the third shareholder loan agreement dated 16 September 2014 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the provision of the shareholder loan by Ausnutria (Dutch) and DDI to Ausnutria Hyproca in the amount of Euro 5.1 million and Euro 4.9 million, respectively;

(4) the fourth shareholder loan agreement dated 29 December 2014 entered into among Ausnutria (Dutch), Ausnutria Hyproca and DDI in relation to the provision of the shareholder loan by Ausnutria (Dutch) and DDI to Ausnutria Hyproca in the amount of Euro 4.08 million and Euro 3.92 million respectively; and

(5) the Ausnutria Hyproca Agreement.

VI. ARRANGEMENT AFFECTING DIRECTORS OF THE COMPANY

As at the Latest Practicable Date,

(1) none of the Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Offer;

(2) there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(3) save for the Agreement, there was no material contracts entered into by the Joint Offerors in which any Director had a material personal interest.

VII. DIRECTORS' SERVICE CONTRACTS

There is a service contract between the Company and Mr. Lin for a term of three years from 12 December 2014 to 11 December 2017. Under the said service contract, Mr. Lin is entitled to an annual director's fee of HK$180,000.

There is a service contract between the Company and Mr. Lau Chun Fai Douglas for a term of two years from 2 January 2015 to 1 January 2017. Under the said service contract, Mr. Lau Chun Fai Douglas is entitled to an annual director's fee of HK$280,000.

Save as disclosed above, as at the Latest Practicable Date, for Directors, there was no service contracts with the Company or any of its subsidiaries or associated companies in force:

(1) which (including both continuous and fixed terms contracts) had been entered into or amended within six months before 21 January 2015, being the commencement of the Offer Period;

(2) which are continuous contracts with a notice period of twelve months or more; or

(3) which are fixed term contracts with more than twelve months to run irrespective of the notice period.

VIII. DIRECTORS' INTERESTS

In the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were 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 they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Capacity	Number of Shares and underlying Shares held	Percentage of shareholding
Mr. Yan *(Note 1)*	Interest of controlled corporation	86,805,450	8.80%

Note:

(1) These Shares represent the Shares owned by Ausnutria Holding, which is wholly-owned by Mr. Yan.

Mr. Yan has given an irrevocable undertaking not to accept the Offer. The Irrevocable Undertaking not to accept given by Mr. Yan is disclosed in the section "The Irrevocable Undertakings" in the "Letter from Optima Capital" of this Composite Document. Save as disclosed above, no Director and their respective associates of the Company has irrevocably committed himself, herself or itself to accept or reject the Offer.

Save as disclosed above, none of the Directors had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

In the Joint Offerors

As at the Latest Practicable Date, Mr. Lin was interested in approximately 13.00% equity interests (direct and indirect) of Center Lab.

Save as disclosed above, the Directors are not interested in any of the Joint Offerors.

IX. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Number of Shares and underlying Shares held	Percentage of shareholding
Ausnutria Holding *(Note 1)*	Registered owner	86,805,450	8.80%
Center Lab	Registered owner	258,528,969	26.20%
	Interest of controlled corporation	138,943,064	14.08%
BioEngine Capital Inc. *(Note 2)*	Registered owner	123,355,375	12.50%
BioEngine Tech *(Note 2)*	Registered owner	15,587,689	1.58%

Notes:

(1) Ausnutria Holding is wholly-owned by Mr. Yan.

(2) Both BioEngine Capital Inc. and BioEngine Tech are non-wholly-owned subsidiaries of Center Lab.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would require to be disclosed to the Company pursuant to Part XV of the SFO; or which were recorded in the register required to be kept under Section 336 of the SFO.

X. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the expert who was engaged by the Company and has been named in this Composite Document and has given opinion and letter contained in this Composite Document:

Name	Qualification
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, recommendation or opinion and references to its name in the form and context in which it is included.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central during normal business hours from 9:00 a.m. to 5:30 p.m. on any business day; (ii) on the website of SFC (www.sfc.hk); and (iii) on the website of the Company (www.ausnutria.com.hk), from the time of this Composite Document is published and up to the Final Closing Date:

(1) the memorandum and articles of association of the Company;

(2) the annual reports of the Company for the years ended 31 December 2013 and 31 December 2014;

(3) the letter from the Board dated 2 July 2015, the text of which is set out on pages 20 to 24 of this Composite Document;

(4) the letter from the Independent Board Committee dated 2 July 2015, the text of which is set out on pages 25 to 26 of this Composite Document;

(5) the letter of advice from Somerley Capital dated 2 July 2015, the text of which is set out on pages 27 to 49 of this Composite Document;

(6) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(7) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix; and

(8) the written consent referred to in the section headed "Expert's Qualification and Consent" in this appendix.

XII. MISCELLANEOUS

(1) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

(2) The principal place of business of the Company is:

(a) in Mainland China: 8th Floor, XinDaXin Building A, No. 168 Huangxing Middle Road, Changsha City, Hunan Province, the PRC;

(b) in Hong Kong: Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central, Hong Kong; and

(c) in the Netherlands: Burgemeester Falkenaweg 58-1 (8442LE), Heerenveen, the Netherlands.

(3) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

1. RESPONSIBILITY STATEMENT

Center Lab

The directors of Center Lab jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (excluding those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them but including those expressed by BioEngine Tech and parties acting in concert with it) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

Fareast LD

The directors of Fareast LD jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

Fareast LD is wholly owned by 信宇投資股份有限公司 (Shin Yu Investment Ltd.) The directors of 信宇投資股份有限公司 (Shin Yu Investment Ltd.) jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

Babyland

The sole director of Babyland accepts full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

Babyland is controlled by Chengwei Evergreen Capital, L.P., whose general partner is Chengwei Evergreen Management, LLC. The directors of Chengwei Evergreen Management, LLC jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

Yuanta I Venture, Yuanta Asia and Yuanta Securities

The directors of Yuanta I Venture jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The directors of Yuanta Asia jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The directors of Yuanta Securities jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The directors of Yuanta Financial Holdings Co., Ltd. (the ultimate parent company of Yuanta I Venture, Yuanta Asia and Yuanta Securities) jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

Asean BMPI

Asean BMPI is a partnership and does not have any directors. M-Venture Investment Inc. is the general partner of Asean BMPI. The directors of M-Venture Investment Inc. jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

BioEngine Tech

The directors of BioEngine Tech jointly and severally accept full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

Power Pointer

The sole director of Power Pointer accepts full responsibility for the accuracy of the information (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them) contained in this Composite Document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

Power Pointer is controlled by China Consumer Fund, L.P., whose general partner is Strait Capital Partners. The sole director (and the sole shareholder) of Strait Capital Partners is Strait Capital Equity Limited. The directors of Strait Capital Equity Limited jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (save for the information relating to the Group and the other Joint Offerors and parties acting in concert with any of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and the other Joint Offerors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last trading day immediately preceding the date of the First Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
2014	
31 July *(Note)*	N/A
29 August	2.35
30 September	2.19
31 October	2.55
28 November	2.33
31 December	2.61
2015	
16 January (the last trading day immediately preceding the date of the First Announcement)	2.44
30 January	2.71
27 February	2.69
31 March	2.74
30 April	2.83
28 May (Last Trading Day)	2.94
29 June (Latest Practicable Date)	3.01

During the Relevant Period:

(i) the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.08 per Share on 15 June 2015, 12 June 2015 and 11 June 2015; and

(ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK$2.13 per Share on 11 August 2014 *(Note)*.

Note: The trading of Shares was suspended during the period from 29 March 2012 to 1 August 2014. The closing price of the Shares on the trading day (i.e. 28 March 2012) immediately before the suspension is HK$1.46.

3. DISCLOSURE OF INTERESTS AND DEALINGS AS REQUIRED BY THE TAKEOVERS CODE

The Joint Offerors (comprising Center Lab, BioEngine Tech, Asean BMPI, Babyland, Fareast LD, Power Pointer, Yuanta I Venture, Yuanta Asia and Yuanta Securities) confirm that, as at the Latest Practicable Date:

(i) save as disclosed below, none of the Joint Offerors, their directors or parties acting in concert with any of them owned, controlled or was interested in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares:

Shareholder	Number of Shares	Approximate %
Center Lab	258,528,969	26.20
BioEngine Tech	15,587,689	1.58
BioEngine Capital Inc.	123,355,375	12.50
Ms. Lin O, Li-Chu	498,000	0.05
Mr. Lin Wei-Hsuan	260,000	0.02
Fareast LD	28,223,710	2.86
Babyland	26,250,024	2.66
Yuanta I Venture	8,092,113	0.82
Yuanta Asia	2,763,160	0.28
Yuanta Securities	1,776,317	0.18
Asean BMPI	3,947,372	0.40
Power Pointer	5,526,321	0.56
	474,809,050	48.11

(ii) save for the Irrevocable Undertakings, none of the Joint Offerors had received any irrevocable commitment to accept or reject the Offer;

(iii) no Shares or convertible securities, warrants, options or derivatives of the Company was owned or controlled by a person with whom the Joint Offerors or any party acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(iv) none of the Joint Offerors or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(v) save for the Agreement and the dealing disclosure in Appendix V to this Composite Document, none of the Joint Offerors, the director(s) of the Joint Offerors or parties acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, or options of the company or any derivative in respect of such securities in the Relevant Period; and

(vi) save for (i) the sale and purchase agreement dated 11 November 2014 entered into among All Harmony International Limited ("**All Harmony**"), the Vendor, Center Lab and BioEngine Capital Inc. in respect of the acquisition of an aggregate of 255,026,450 Shares by Center Lab and BioEngine Capital Inc. from All Harmony and the Vendor for an aggregate consideration of approximately HK$765.1 million; (ii) the transfer of 113,194,000 Shares from Ausnutria Holding to the Vendor at nil consideration due to the reorganisation of Ausnutria Holding; (iii) the Agreement; and (iv) the dealings as disclosed below, none of the Shareholders who held the Non-acceptance Shares had dealt for value in any Shares, convertible securities, warrants, or options of the company or any derivative in respect of such securities in the Relevant Period:

Controlling shareholder/ Beneficial owner	Shareholders	Date	Purchase/ Sale	Number of Shares	Price per Share *(HK$)*
Mr. Peng Shengwen	China Ally Limited	5 August 2014	Purchase	900,000	2.40
Mr. Peng Shengwen	China Ally Limited	5 August 2014	Purchase	100,000	2.38
Mr. Peng Shengwen	China Ally Limited	5 August 2014	Purchase	565,000	2.23
Mr. Peng Shengwen	China Ally Limited	5 August 2014	Purchase	140,000	2.24
Mr. Peng Shengwen	China Ally Limited	7 August 2014	Purchase	1,050,000	2.29
Mr. Peng Shengwen	China Ally Limited	7 August 2014	Purchase	950,000	2.28
Mr. Peng Shengwen	China Ally Limited	12 August 2014	Purchase	980,000	2.15
Mr. Peng Shengwen	China Ally Limited	12 August 2014	Purchase	20,000	2.14

Controlling shareholder/ Beneficial owner	Shareholders	Date	Purchase/ Sale	Number of Shares	Price per Share *(HK$)*
Mr. Peng Shengwen	China Ally Limited	15 August 2014	Purchase	310,000	2.21
Mr. Peng Shengwen	China Ally Limited	15 August 2014	Purchase	8,000	2.20
Mr. Peng Shengwen	China Ally Limited	29 August 2014	Purchase	240,000	2.38
Mr. Peng Shengwen	China Ally Limited	29 August 2014	Purchase	760,000	2.37
Mr. Peng Shengwen	China Ally Limited	10 September 2014	Sale	1,230,000	2.48
Mr. Peng Shengwen	China Ally Limited	10 September 2014	Sale	471,000	2.47
Mr. Peng Shengwen	China Ally Limited	11 September 2014	Purchase	7,000,000	2.20
Mr. Peng Shengwen	China Ally Limited	23 October 2014	Sale	83,000	2.60
Mr. Peng Shengwen	China Ally Limited	24 October 2014	Sale	730,000	2.51
Mr. Peng Shengwen	China Ally Limited	24 October 2014	Sale	1,187,000	2.50
Mr. Pan Shuiming	Ever win (Asia Limited)	3 September 2014	Purchase	40,000	2.44
Mr. Pan Shuiming	Ever win (Asia Limited)	4 September 2014	Purchase	500,000	2.44
Mr. Pan Shuiming	Ever win (Asia Limited)	5 September 2014	Purchase	56,000	2.50
Mr. Pan Shuiming	Ever win (Asia Limited)	21 October 2014	Sale	100,000	2.54
Mr. Pan Shuiming	Ever win (Asia Limited)	21 October 2014	Sale	20,000	2.55
Mr. Pan Shuiming	Ever win (Asia Limited)	21 October 2014	Sale	4,000	2.53
Mr. Pan Shuiming	Ever win (Asia Limited)	22 October 2014	Sale	100,000	2.56
Mr. Pan Shuiming	Irene & Maya International (Group) Co., Ltd.	5 September 2014	Purchase	163,000	2.50
Mr. Pan Shuiming	Irene & Maya International (Group) Co., Ltd.	15 April 2015	Sale	200,000	2.75
Mr. Pan Shuiming	Irene & Maya International (Group) Co., Ltd.	22 April 2015	Sale	26,000	2.80

Controlling shareholder/ Beneficial owner	Shareholders	Date	Purchase/ Sale	Number of Shares	Price per Share *(HK$)*
Mr. Pan Shuiming	Yiree Holding Inc.	5 September 2014	Purchase	61,000	2.50
	Mr. Pan Shuiming	5 September 2014	Purchase	163,000	2.50
Mr. Tong Dongyuan	Mr. Tong Dongyuan	29 August 2014	Purchase	100,000	2.37
Mr. Tong Dongyuan	Mr. Tong Dongyuan	6 January 2015	Purchase	200,000	2.60
Mr. Tong Dongyuan	Mr. Tong Dongyuan	6 January 2015	Purchase	50,000	2.59
Mr. Tong Dongyuan	Mr. Tong Dongyuan	6 January 2015	Purchase	3,000	2.57

4. OTHER DISCLOSURES AS REQUIRED BY THE TAKEOVERS CODE

(i) Save for the charge on the Shares to be acquired by Center Lab pursuant to the Offer to be granted by Center Lab in favour of Taiwan Cooperative Bank to secure the Facility, as at the Latest Practicable Date, the Joint Offerors had no intention to enter into, nor had they entered into any agreement, arrangement or understanding, to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons unless otherwise required by the Listing Rules or the Stock Exchange with regard to the minimum public float requirements.

(ii) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

(iii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between any of the Joint Offerors or parties acting in concert with any of them and any Director, recent Director, Shareholder or recent Shareholder which had any connection or was dependent upon the Offer.

(iv) As at the Latest Practicable Date, there was no agreement or arrangement to which any of the Joint Offerors was a party which related to circumstances in which any of the Joint Offerors may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

(v) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Joint Offerors and parties acting in concert with any of them and any other person.

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert whose letter is contained in this Composite Document:

Name	Qualification
Optima Capital Limited	a corporation licensed 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 under the SFO

Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, and the references to its name, in the form and context in which they respectively appear.

6. MISCELLANEOUS

(i) As at the Latest Practicable Date, the board of Center Lab comprised seven directors, namely Mr. Lin Jung-Chin, Mr. Chen Wann-Lai, Mr. Chou Ta-Wei, Mr. Chang Po-Chih, Witty Mate Corporation (whose directors were Mr. Lee Ching-Chan, Mr. Lee Yu-shu and Mr. Lee Tsung-ting), Yuhwa Universal Co, Ltd (whose directors were Ms. Chiao Ting and Ms. Chiao Ling) and Jason Biotech Co., Ltd (whose directors were Ms. Lin O Li-Chu, Mr. Lin Hung-Hsuan and Mr. Lin Wei-Hsuan); and two independent directors, namely Mr. Chen Yung-Chang and Mr. Ho Shin-Chinn.

The registered office of Center Lab is situated at 7F., No. 3-2, Yuanqu St., Nangang District, Taipei City 115, Taiwan.

(ii) As at the Latest Practicable Date, the board of Fareast LD comprised three directors, namely Mr. Chao Teng-Hsiung, Mr. Chao Wen-Chia and Ms. Chao Chen Sor. Fareast LD is wholly owned by 信宇投資股份有限公司 (Shin Yu Investment Ltd.). The board of 信宇投資股份有限公司 (Shin Yu Investment Ltd.) comprised three directors, namely Mr. Chao Teng-Hsiung, Mr. Chao Wen-Chia and Ms. Chao Chen Sor.

The registered office of Fareast LD is situated at 31F, No. 1, Songgao Road, Xinyi District, Taipei City 110, Taiwan.

(iii) As at the Latest Practicable Date, the sole director of Babyland was Mr. Kang Pei. Babyland was controlled by Chengwei Evergreen Capital, L.P., whose general partner was Chengwei Evergreen Management, LLC. The board of Chengwei Evergreen Management, LLC comprised two directors, mainly Mr. Kang Pei and Mr. Li Eric X.

The registered office of Babyland is situated at Trinity Chambers, PO Box 4301, Road Town, Tortola, the BVI.

(iv) As at the Latest Practicable Date, the board of Yuanta I Venture comprised three directors, namely Mr. Li Ko Ming, Mr. Chan Wen Liang and Ms. Lin Tse Fen.

The registered office of Yuanta I Venture is situated at 10F, 66, Dun Hua S. Rd., Sec 1, Songshan District Taipei, Taiwan.

(v) As at the Latest Practicable Date, the board of Yuanta Asia comprised three directors, namely Mr. Kuo Ming Cheng, Ms. Yu Hsiao Tsui and Ms. Chiu Wen Ching.

The registered office of Yuanta Asia is situated at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the BVI.

(vi) As at the Latest Practicable Date, the board of Yuanta Securities comprised seven directors, namely Ms. Chen Miao Ju, Mr. Wan Siu Shun, Mr. Yiu Chi Wah, Mr. Lim Pak Fu, Mr. Wang Chun-chieh, Mr. Tan Pei San and Mr. Kuo Ming Cheng.

The registered office is situated at 23/F, Admiralty Centre, Tower 1, 18 Harcourt road, Admiralty, Hong Kong.

(vii) As at the Latest Practicable Date, the board of Yuanta Financial Holdings Co., Ltd. (the ultimate parent company of Yuanta I Venture, Yuanta Asia and Yuanta Securities) comprised Mr. Seetoo Dah Hsian, Mr. Lin Cheng Ji, Mr. Chi lai Ping, Mr. Wang Rong Jou, Mr. Shen Ting Chien, Mr. Ma Wei Chen, Mr. Fang Jun Long, Mr. Ho Ming Heng and Mr. Chiu Hsian Dao.

(viii) Asean BMPI is a partnership and does not have directors. M-Venture Investment Inc. is the general partner. As at the Latest Practicable Date, the board of M-Venture Investment Inc. comprised five directors, namely, Mr. Sung-Hyoek Hong, Mr. Jong-Il Hong, Mr. Lin Jung-Chin, Mr. Doo Seung Yang and Mr. Ki Young Lee.

The registered office of Asean BMPI is situated at 25F, City Air Tower, 36, Teheran-ro 87gil, Gangnam-gu, Seoul, 135-973, Korea.

(ix) As at the Latest Practicable Date, the board of BioEngine Tech comprised five directors, namely Mr. Lin Jung-Chin, Mr. Hsu Jui-Pao, Mr. Chen Chun-Hong, Mr. Lee Chung-Liang and Mr. Cheng Wann-Lai.

The registered office of BioEngine Tech is situated at 7F, No.3-2, Yuanqu St., Nangang District, Taipei City 115, Taiwan.

(x) As at the Latest Practicable Date, the sole director of Power Pointer was Mr. Lu I-Yen. Power Pointer was controlled by China Consumer Fund, L.P., whose general partner was Strait Capital Partners. The sole director (and the sole shareholder) of Strait Capital Partners was Strait Capital Equity Limited (the directors of which comprised Mr. Hu Ting-Wu and Mr. Lu I-Yen).

The registered office of Power Pointer is situated at 4th Floor, Wing Sing Commercial Centre, 12-16 Wing Lok Street, Hong Kong.

(xi) The principal members of the parties acting in concert with the Joint Offerors are BioEngine Capital Inc., Ms Lin O, Li-Chu and Mr. Lin Wei-Hsuan. BioEngine Capital Inc. is a non-wholly-owned subsidiary of Center Lab, which controls over 50% interest of BioEngine Capital Inc. There is no ultimate controlling shareholder in Center Lab and Mr. Lin is the single largest shareholder having approximately 13.00% interest (direct and indirect) in Center Lab. As at the Latest Practicable Date, the board of BioEngine Capital Inc. comprised nine directors, namely Mr. Lin Jung-Chin, Mr. Chen Wann-Lai, Mr. Lee Chung-Liang, Mr. Chen Chun-Hong, Ms. Wang Su-chi, Mr. Chang Jen-ho, Nien Hsing International Investment Co., Ltd. (which comprised 5 directors, namely Mr. Chen Chao Kuo, Mr. Chen Yi Fung, Mr. Chen Chao Yuan, Mr. Tsai Shu Hsuan and Mr. Han Chia Liang), Yuan An Ltd. (whose sole director is Mrs. Lin Wu Chiung-wei) and Chi Fu Jong Hua Co., Ltd (which comprised 4 directors, namely Ms. Mao Su-jung, Ms. Liu Hsin-ping, Ms. Tu Hsiao-ju and Ms. Chien Tai-pi).

The registered office of BioEngine Capital Inc., is situated at 7F, 3-2, Yuanqu Street, Nangang District, Taipei City, Taiwan. The address of Ms. Lin O, Li-Chu and Mr. Lin Wei-Hsuan is at 6F, 164, Jian-guo Rd., Xindian District, New Taipei City, Taiwan.

(xii) The registered office of Optima Capital Limited is Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

(xiii) The English text of this Composite Document and the Acceptance Forms shall prevail over their respective Chinese texts in the case of inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at (i) the principal place of business of the Company in Hong Kong at Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.ausnutria.com.hk) during the period from the date of this Composite Document up to and including the Final Closing Date:

(i) the respective memorandum and articles of association of each of the Joint Offerors;

(ii) the letter from Optima Capital, the text of which is set out on page 8 to 19 of this Composite Document;

(iii) the written consent referred to under the paragraph headed "Qualification and Consent of Expert" in this Appendix IV;

(iv) the Irrevocable Undertakings; and

(v) the full list of dealings for value in the relevant securities of the Company during the Relevant Period by the Joint Offerors and/or parties acting in concert with any of them (save for the Agreement).

Save for the Agreement, set out below is the dealings for value in the relevant securities of the Company during the Relevant Period by the Joint Offerors and/or the parties acting in concert with any of them:

Relevant Party	Date	Purchase/Sale	Number of shares	Price per share *(HK$)*
Mrs. Lin O, Li-Chu	08/27/2014	Purchase	16,000	$2.53
Mrs. Lin O, Li-Chu	09/11/2014	Purchase	20,000	$2.41
Mrs. Lin O, Li-Chu	09/22/2014-09/26/2014	Purchase	40,000	Range: $2.27 to $2.37
Mrs. Lin O, Li-Chu	09/29/2014-10/03/2014	Purchase	40,000	Range: $2.19 to $2.50
Mrs. Lin O, Li-Chu	10/07/2014	Purchase	19,000	$2.21
Mrs. Lin O, Li-Chu	11/17/2014-11/21/2014	Purchase	30,000	Range: $2.47 to $2.52
Mrs. Lin O, Li-Chu	11/24/2014-11/28/2014	Purchase	180,000	Range: $2.29 to $2.47
Mrs. Lin O, Li-Chu	12/01/2014-12/05/2014	Purchase	153,000	Range: $2.30 to $2.40
Mr. Lin Wei-Hsuan	12/08/2014-12/12/2014	Purchase	260,000	Range: $2.47 to $2.52
BioEngine Capital Inc.	11/11/2014	Purchase	123,355,375	$3.00
BioEngine Tech	12/05/2014	Purchase	1,019,000	$2.51
BioEngine Tech	12/08/2014	Purchase	538,000	$2.55
BioEngine Tech	12/09/2014	Purchase	700,000	$2.52
BioEngine Tech	12/10/2014	Purchase	730,000	$2.54
BioEngine Tech	12/11/2014	Purchase	603,000	$2.56
BioEngine Tech	12/12/2014	Purchase	2,179,000	$2.63
BioEngine Tech	12/15/2014	Purchase	906,000	$2.60
BioEngine Tech	12/17/2014	Purchase	523,000	$2.60
BioEngine Tech	12/18/2014	Purchase	188,000	$2.61
BioEngine Tech	12/19/2014	Purchase	238,000	$2.60
BioEngine Tech	12/22/2014	Purchase	521,000	$2.60
BioEngine Tech	12/23/2014	Purchase	472,000	$2.60
BioEngine Tech	12/29/2014	Purchase	1,247,000	$2.65
Center Lab	11/11/2014	Purchase	131,671,075	$3.00
Center Lab	11/28/2014	Purchase	1,100,000	$2.32
Center Lab	12/01/2014	Purchase	454,000	$2.31
Center Lab	12/02/2014	Purchase	817,000	$2.40
Center Lab	12/04/2014	Purchase	905,000	$2.52
Center Lab	12/05/2014	Purchase	30,000	$2.50

Relevant Party	Date	Purchase/Sale	Number of shares	Price per share (HK$)
Center Lab	04/15/2015	Purchase	49,000	$2.70
Center Lab	04/15/2015	Purchase	75,000	$2.71
Center Lab	04/15/2015	Purchase	60,000	$2.72
Center Lab	04/15/2015	Purchase	157,000	$2.73
Center Lab	04/15/2015	Purchase	149,000	$2.74
Center Lab	04/15/2015	Purchase	2,624,000	$2.75
Center Lab	04/16/2015	Purchase	348,000	$2.73
Center Lab	04/16/2015	Purchase	232,000	$2.74
Center Lab	04/16/2015	Purchase	65,000	$2.75
Center Lab	04/17/2015	Purchase	54,000	$2.73
Center Lab	04/17/2015	Purchase	99,000	$2.74
Center Lab	04/17/2015	Purchase	264,000	$2.75
Center Lab	04/21/2015	Purchase	64,000	$2.72
Center Lab	04/21/2015	Purchase	97,000	$2.73
Center Lab	04/21/2015	Purchase	35,000	$2.76
Center Lab	04/21/2015	Purchase	72,000	$2.77
Center Lab	04/21/2015	Purchase	116,000	$2.78
Center Lab	04/21/2015	Purchase	12,000	$2.79
Center Lab	04/21/2015	Purchase	872,000	$2.80
Center Lab	04/21/2015	Purchase	16,000	$2.81
Center Lab	04/21/2015	Purchase	108,000	$2.82
Center Lab	04/21/2015	Purchase	74,000	$2.83
Center Lab	04/22/2015	Purchase	19,000	$2.78
Center Lab	04/22/2015	Purchase	70,000	$2.79
Center Lab	04/22/2015	Purchase	189,000	$2.80
Center Lab	04/22/2015	Purchase	100,000	$2.82
Center Lab	04/22/2015	Purchase	320,000	$2.83
Center Lab	04/22/2015	Purchase	198,000	$2.84
Center Lab	04/22/2015	Purchase	605,000	$2.85
Center Lab	04/23/2015	Purchase	241,000	$2.85
Center Lab	04/23/2015	Purchase	20,000	$2.87
Center Lab	04/23/2015	Purchase	113,000	$2.88
Center Lab	04/23/2015	Purchase	111,000	$2.89
Center Lab	04/23/2015	Purchase	858,000	$2.90

Save for the Agreement and the above, none of the Joint Offerors or parties acting in concert with any of them has dealt in the Shares during the Relevant Period.