
THIS COMPOSITE 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 Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in DAQING DAIRY HOLDINGS LIMITED, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

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

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



DAQING DAIRY HOLDINGS LIMITED 大慶乳業控股有限公司

Global Courage Limited

(Incorporated in the British Virgin Islands with limited liability)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY



FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) IN DAQING DAIRY HOLDINGS LIMITED

Financial adviser to Global Courage Limited

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Board Committee of

DAQING DAIRY HOLDINGS LIMITED



Capitalised terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Head & Shoulders Securities containing, among other things, principal terms of the Offer is set out on pages 6 to 18 of this Composite Document.

A letter from the Board is set out on pages 19 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 VMS Securities containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 27 to 44 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar as soon as possible and in any event not later than Friday, 19 February 2016 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas Shareholders" in the "Letter from Head & Shoulders Securities" and Appendix I to this Composite Document before taking any action. It is the responsibility of Overseas Shareholders (if any) wishing to accept the Offer to satisfy themselves as to 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 in connection with the acceptance of the Offer in respect of such jurisdictions. Overseas Shareholders (if any) are strongly advised to seek professional advice on deciding whether to accept the Offer.

29 January 2016

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

Despatch date of this Composite Document and the Form of Acceptance and the commencement of the Offer (<i>Note 1</i>)	Friday, 29 January 2016
Latest time and date for acceptance of the Offer (<i>Note 2</i>)	4:00 p.m. on Friday, 19 February 2016
Closing Date (<i>Note 2</i>)	Friday, 19 February 2016
Announcement of the results of the Offer (or its extension or revision, if any), to be posted on the websites of the Stock Exchange and the Company (<i>Note 2</i>)	no later than 7:00 p.m. on Friday, 19 February 2016
Latest date of posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 3 and 4</i>)	Tuesday, 1 March 2016

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 19 February 2016 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Friday, 19 February 2016 stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend the Offer, 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 Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days after the date of receipt by the Registrar of a duly completed acceptance in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
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, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will remain unchanged; or

EXPECTED TIMETABLE

- (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, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will accordingly be rescheduled to the following Business Day.

Save as mentioned above, if the latest time for acceptance of the Offer does not take place on the date and time as stated above, the dates mentioned in the section headed “Expected Timetable” in this Composite Document may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as possible.

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	Friday, 19 February 2016, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined and announced jointly by the Offeror and the Company, with consent of the Executive, in accordance with the Takeovers Code
“Company”	Daqing Dairy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders in connection with the Offer in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offer, and the letters of advice from the Independent Board Committee and the Independent Financial Adviser in respect of the Offer
“Consideration”	the cash consideration of HK\$61,019,362.20 for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Dr. Choi”	Dr. Choi Chiu Fai Stanley, being the sole director and sole shareholder of Head and Shoulders Direct Investment
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director

DEFINITIONS

“Facility”	a standby facility of not less than HK\$40.1 million granted by Head & Shoulders Securities to the Offeror pursuant to a facility letter dated 8 May 2015 issued by Head & Shoulders Securities and accepted by the Offeror
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document
“Global Milk”	Global Milk Products Pte. Ltd., a company incorporated in Singapore, being the immediate subsidiary of the Company
“Group”	the Company and its subsidiaries
“Head and Shoulders Direct Investment”	Head and Shoulders Direct Investment Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Dr. Choi, who is the sole shareholder and the sole director of the Offeror
“Head & Shoulders Securities”	Head & Shoulders Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“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, namely Mr. Sze Lin Tang and Mr. Qiu Xiaohua, to advise and give recommendation to the Independent Shareholders in respect of the Offer and as to its acceptance
“Independent Financial Adviser” or “VMS Securities”	VMS Securities Limited, a corporation licensed to carry on 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 independent financial adviser to advise the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement dated 23 June 2015 jointly issued by the Offeror and the Company in relation to, among others, the Share Transfer and the Offer
“Last Trading Day”	21 March 2012, being the last trading day of the Shares prior to the suspension of trading of the Shares on the Stock Exchange at 9:00 a.m. on 22 March 2012

DEFINITIONS

“Latest Practicable Date”	26 January 2016, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mr. Kyan”	Mr. Kyan Su Lone, the sole director and beneficial owner of the Vendor
“Offer”	the mandatory unconditional cash offer made by Head & Shoulders Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code
“Offer Period”	the period commencing from 23 June 2015, being the date of the commencement of the offer period pursuant to Rule 3.7 of the Takeovers Code and ending on the Closing Date or such other date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Price”	the price per Offer Share in cash at which the Offer will be made, being HK\$0.10 per Offer Share
“Offer Share(s)”	Share(s) in respect of which the Offer is made, being issued Share(s) other than those already owned by the Offeror and parties acting in concert with it
“Offeror”	Global Courage Limited, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Head and Shoulders Direct Investment
“Overseas Shareholder(s)”	holder(s) of Share(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China which for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiaries”	subsidiaries of the Company established in the PRC

DEFINITIONS

“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, with its address at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period commencing from 23 December 2014, being the date falling six months before the date of the commencement of the Offer Period and up to and including the Latest Practicable Date
“relevant securities”	has the meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 May 2015 entered into between the Offeror (as purchaser) and the Vendor (as vendor) in respect of the Share Transfer
“Sale Share(s)”	an aggregate of 610,193,622 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Sale and Purchase 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 Transfer”	the acquisition by the Offeror of the Sale Shares pursuant to the Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Veda Capital”	Veda Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which is appointed as the financial adviser to the Offeror in respect of the Offer
“Vendor”	Radiant State Limited, a company incorporated in the BVI, the vendor of the Sale Shares under the Sale and Purchase Agreement and a controlling Shareholder immediately prior to the Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.



29 January 2016

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
HEAD & SHOULDERS SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY
OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT
WITH IT) IN DAQING DAIRY HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement.

Immediately following the Completion, the Offeror and persons acting in concert with it were interested in 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Head & Shoulders Securities has been appointed by the Offeror to make the Offer on its behalf. This letter, Appendix I to this Composite Document and the accompanying Form of Acceptance set out, among other things, the terms and other details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group.

The Independent Shareholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Independent Financial Adviser” as set out in this Composite Document before deciding whether to accept the Offer.

THE OFFER

Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.10 in cash

The Offer is unconditional in all respects.

LETTER FROM HEAD & SHOULDERS SECURITIES

The Offer Price of HK\$0.10 per Offer Share is the same as the price per Sale Share paid by the Offeror to the Vendor under the Sale and Purchase Agreement, was agreed between the Vendor and the Offeror after arm's length negotiations having taken into account, amongst others, (i) the prolonged suspension of trading in the Shares since 22 March 2012; (ii) the subsequent development of the Company's situation as publicly disclosed in its announcements; and (iii) such acquisition of the controlling stake in the Company having proceeded on the basis that the Offeror was only able to assess the Company's difficult situation based on publicly available information and no guarantee, representation or warranty was given by the Vendor to the Offeror to assure any conditions (financial, operation or otherwise) of the Company including but not limited to continuity of existing business, status of financial statements and resumption of the trading of Shares on the Stock Exchange.

As at the Latest Practicable Date, the Company has 1,010,500,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Comparison of value

The Offer Price of HK\$0.10 per Offer Share represents:

- (i) a discount of approximately 94.05% to the closing price of HK\$1.680 per Share as quoted on the Stock Exchange on 21 March 2012, being the Last Trading Day;
- (ii) a discount of approximately 94.63% to the average of the closing prices of the Shares of HK\$1.862 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 94.85% to the average of the closing prices of the Shares of HK\$1.941 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 94.64% to the average of the closing prices of the Shares of HK\$1.864 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day.

Highest and lowest Share prices

Trading in the Shares on the Stock Exchange has been suspended since 22 March 2012 and will continue to be suspended until further notice. The closing price of the Shares on the Last Trading Day was HK\$1.680 per Share.

LETTER FROM HEAD & SHOULDERS SECURITIES

Total consideration of the Offer

On the basis of the Offer Price of HK\$0.10 per Offer Share and 1,010,500,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$101.05 million. Excluding 610,193,622 Sale Shares having been acquired by the Offeror pursuant to the Sale and Purchase Agreement, 400,306,378 Shares will be subject to the Offer. Assuming there is no change in the issued share capital of the Company prior to the making of the Offer, the Offer is valued at approximately HK\$40.03 million.

Financial resources available for the Offer

The maximum amount of cash payable by the Offeror in respect of the Offer is approximately HK\$40.03 million. The Offeror will finance and satisfy the cash consideration payable under the Offer by the Facility granted by Head & Shoulders Securities. Under the terms of the Facility, (i) the Shares to be acquired pursuant to the Offer, payment of which is financed by the amount drawn from the Facility, as well as the Sale Shares acquired by the Offeror under the Sale and Purchase Agreement shall be, and have been, charged to Head & Shoulders Securities as security; and (ii) Dr. Choi has executed a personal guarantee for the obligations and liabilities of the Offeror under the Facility. The payment of interest on and repayment of any liability (contingent or otherwise) by the Offeror to Head & Shoulders Securities under the Facility will not depend on the business of the Group.

Veda Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that there are sufficient financial resources available to the Offeror to satisfy full acceptances of the Offer.

Effects of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims, charges, encumbrances, rights of pre-emption and any third party rights of any nature and together with all rights attached to them, including the right to receive all dividends and distributions declared, made or paid on or after which the Offer is made, that is, the date of despatch of this Composite Document.

The Offer is unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the

LETTER FROM HEAD & SHOULDERS SECURITIES

relevant acceptances or if higher, the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

Payment

Payment in cash 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 duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Overseas Shareholders

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should satisfy themselves about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (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 in respect of such jurisdiction for accepting the Offer).

Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror that the local laws and requirements have been complied with. The Shareholders should consult their professional advisers if in doubt.

Taxation advice

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 Offeror, parties acting in concert with the Offeror, the Company, Head & Shoulders Securities, Veda Capital, VMS Securities and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Acceptance and settlement

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

LETTER FROM HEAD & SHOULDERS SECURITIES

Other arrangements

For the six months immediately prior to 23 June 2015 (being the date of commencement of the Offer Period pursuant to Rule 3.7 of the Takeovers Code), save for the Share Transfer, the Offeror and parties acting in concert with it had not dealt in nor did they hold any Shares or other relevant securities of the Company.

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the Offeror's interest in the Sale Shares under the Share Transfer, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives, of the Company;
- (ii) the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept or reject the Offer;
- (iii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;
- (iv) save for the Share Transfer and the deposit of the Sale Shares and the Offer Shares to be acquired by the Offeror through the Offer in favour of Head & Shoulders Securities as security for the Facility granted by Head & Shoulders Securities, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners, and/or any party acting in concert with any of them has borrowed or lent.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the BVI with limited liability and is wholly and beneficially owned by Head and Shoulders Direct Investment. The sole director of the Offeror is Head and Shoulders Direct Investment.

LETTER FROM HEAD & SHOULDERS SECURITIES

Head and Shoulders Direct Investment was incorporated in the BVI with limited liability and is wholly and beneficially owned by Dr. Choi who is also the sole director of Head and Shoulders Direct Investment.

Dr. Choi possesses about 23 years of experience in financial service and merger and acquisition projects. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of various listed companies in Hong Kong. Dr. Choi is currently an executive director of Target Insurance (Holdings) Limited (Stock Code: 6161). Dr. Choi is also a director of ZhongAn Online P&C Insurance Co., Ltd., a leading online insurance company in PRC.

INFORMATION ON THE GROUP

The Company is principally engaged in investment holding and was incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange.

Since the new Board was formed in September 2013, the Board has been encountering difficulties to gain a management control over the PRC Subsidiaries. Access to the PRC Subsidiaries by the new Board was denied and there has been a lack of cooperation by the existing management of the PRC Subsidiaries. Based on the information retrieved and the site inspection conducted by an independent PRC agency arranged by the forensic accountant in late 2014, the Board has reasonable belief that some of the members of the Group are still operating their ordinary business, i.e. production, marketing and sales of dairy products in the PRC. As disclosed in the previous announcements of the Company, the Company has engaged forensic accountant to conduct an investigation on the matters raised by the ex-auditors of the Company, Deloitte Touche Tohmatsu but the progress is not satisfactory given the lack of support by the management of the PRC Subsidiaries. Such forensic investigation has been temporarily halted due to insufficient financial resources of the Company. Given the lack of effective control by the Board over the operating subsidiaries of the Company, attempts have also been made by the Board to effect the change of the legal representatives of the PRC Subsidiaries but it is not optimistic that such change can be effected in a short period of time.

On 14 May 2015, the Stock Exchange issued a letter informing the Company that in view of, among others, the fact that: (a) all the Company's businesses are carried out by the PRC Subsidiaries; (b) the Company has been facing difficulties in exercising control over the PRC Subsidiaries; (c) the Company was refused by the PRC Subsidiaries to access to their offices and factories and was not provided with any information, books and records; and (d) the request for changing the PRC Subsidiaries' legal representatives was not entertained, the Company has lost its control on the PRC Subsidiaries and the Stock Exchange considers that the Company is unable to maintain a sufficient level of operations or assets required under rule 13.24 of the Listing Rules to support a continued listing. Accordingly, the Stock Exchange has decided to place the Company in the first delisting stage pursuant to Practice Note 17 to the Listing Rules. The first delisting stage expired on 13 November 2015.

LETTER FROM HEAD & SHOULDERS SECURITIES

On 19 November 2015, the Stock Exchange issued a letter to the Company stating that: (i) the first delisting stage has expired on 13 November 2015 but the Company has not submitted any resumption proposal before the deadline; and (ii) the Stock Exchange decided to place the Company in the second delisting stage under Practice Note 17 to the Listing Rules.

The second delisting stage will expire on 18 May 2016. The Company should provide a viable resumption proposal at least 10 business days before the second delisting stage expires (i.e. 3 May 2016) to:

- (i) demonstrate sufficient operations of assets under rule 13.24 of the Listing Rules;
- (ii) conduct forensic investigation on the issues raised by Deloitte Touche Tohmatsu, disclose the findings of the investigation and take any remedial actions;
- (iii) demonstrate that there is no reasonable regulatory concern about the character, level of due care and integrity the Company's management which will pose a risk to investors and damage market confidence;
- (iv) publish all outstanding financial results and address any audit qualifications;
- (v) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and
- (vi) inform the market of material information for the shareholders and the investors to appraise the Group's position.

It was further stated that the Stock Exchange may modify any of the resumption conditions above and/or impose further resumption conditions if necessary.

On 3 December 2015, the Company resolved to wind up its immediate Singapore incorporated subsidiary (i.e. Global Milk) as the Company was unable to ascertain the completeness and accuracy of its books and records so as to exercise management control over such subsidiary; and that such Singapore subsidiary had failed to serve as an intermediate holding company to exercise an effective control over its operating subsidiaries in the PRC (i.e. the PRC Subsidiaries).

Reference are made to the announcements of the Company dated 29 March 2012 and 28 December 2012 with regards to the resignation of the then auditors, Deloitte Touche Tohmatsu, with effect from 21 March 2012 and the announcement dated 9 January 2013 with regards to extensive damages to the computers and financial documents of Da Qing Dairy Ltd.* (大慶乳品廠有限責任公司). In view of the above, the outstanding annual results for the four years ended 31 December 2011, 2012, 2013 and 2014 and interim results for the six months ended 30 June 2012, 2013, 2014 and 2015, were published on 21 January 2016 and the respective annual and interim reports were published on 25 January 2016.

OFFEROR'S INTENTION ON THE COMPANY

The trading of the Shares has been suspended since 22 March 2012. Notwithstanding the Board's on-going effort to investigate into opportunities that can re-vitalise the Company's operation, the Offeror will conduct a detailed review on the operations of the Group with a view to formulating a comprehensive business strategy for the Group and subject to the result of the review, the Offeror may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to maintain the listing status of the Company and to resume trading of the Shares from prolonged suspension in view of the fact that the Stock Exchange has decided to place the Company in the second delisting stage pursuant to Practice Note 17 to the Listing Rules since 19 November 2015. In addition, in order to broaden its income source and to accelerate the Group's growth and future development, the Offeror will explore and consider any other investment and business opportunities that may arise in the market, which does not limit to any particular industry, from time to time that it considers value-enhancing to Shareholders and/or otherwise in the best interests of the Group. If any possible investment materialises, the Company will make further announcement(s) as and when required under the Listing Rules. However, as of the Latest Practicable Date, no such investment or business opportunities have been identified nor has the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group and therefore the Offeror is not able to estimate the time schedule for the Company to fulfill the resumption conditions and resume trading of the Shares. Shareholders should note that any acquisition(s) identified by the Company in the future will constitute a reverse takeover for the Company under the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant and the Company must comply with the procedures and requirements for new listing applicants as set out in Chapter 9 of the Listing Rules. The acquisition(s) is/are therefore subject to the approval of the Listing Committee of the Stock Exchange of the new listing application made by the Company. The Offeror and/or the Company will make announcement(s) to update Shareholders and potential investors in relation to the Group's business update in compliance with the Listing Rules as and when appropriate.

The Offeror is aware of the difficulties faced by the Board in relation to the loss of control over the PRC Subsidiaries and it is the preliminary intention of the Offeror to dispose of the PRC Subsidiaries after the Offeror has identified new business project(s) to be injected into the Group. Details of the disposal of the PRC Subsidiaries will be disclosed in the resumption proposal to be submitted by the Company to the Stock Exchange in due course and as at the Latest Practicable Date, no resolution, agreement or arrangement whatsoever in relation to the disposal of the PRC Subsidiaries has been reached or entered into by the Board. As it is the intention for the Offeror to dispose of the PRC Subsidiaries, the new Board, which shall be preliminary appointed by the Offeror, may not deploy additional time and costs on the forensic investigation in relation to the PRC Subsidiaries if the PRC Subsidiaries will be disposed before the resumption of trading of the Shares.

Shareholders and potential investors of the Company should note that the conduct of the forensic investigation in relation to the PRC Subsidiaries is one of the resumption conditions previously imposed by the Stock Exchange and the disposal of the PRC Subsidiaries by the

LETTER FROM HEAD & SHOULDERS SECURITIES

Company may constitute a modification of the resumption conditions which shall be subject to the approval of the Stock Exchange which may or may not grant such approval. The release of this Composite Document is not an indication that the trading of the Shares will be resumed eventually. Further announcement(s) will be made by the Company on business development as and when appropriate.

Save for the loss of control by the Company over the PRC Subsidiaries and save as required for the implementation of the Offeror's intention regarding the Group as aforementioned, the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed nomination of new directors to the Board and the resignation of Directors as detailed in the section headed "Proposed change of Board composition" below in this Composite Document) or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group. Notwithstanding the foregoing, the Offeror has not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or re-deployment of the assets (including fixed assets) of the Group, or termination or scaling down of any Group's business.

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange. The Offeror and the proposed new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares if the public float of the Company falls below 25% upon the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

PROPOSED CHANGES TO THE BOARD OF THE COMPANY

The Board currently comprises two executive Directors, namely Mr. Ng Kwong Chue, Paul and Mr. Wang Delin; one non-executive Director, namely Ms. Kou Mei In; and two independent non-executive Directors, namely Mr. Sze Lin Tang and Mr. Qiu Xiaohua. Upon Completion, it is intended that all the members of the Board will be changed, either by way of voluntary resignation and/or removal by ordinary resolution at general meeting. As at the Latest Practicable Date, all Directors have tendered their resignation from their office with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable laws.

The Offeror currently intends to nominate 5 (five) new members to the Board, namely Dr. CHOI Chiu Fai, Stanley and Mr. CHOI Ka Wai as executive Directors and Mr. HA Kee Choy, Eugene, Mr. SZETO Tat Kwan, Brandon and Mr. FOK Wai Ming, Eddie as

LETTER FROM HEAD & SHOULDERS SECURITIES

independent non-executive Directors. Such appointments will only take effect after the date of despatch of this Composite Document in accordance with the requirements of the Takeovers Code.

The Offeror may nominate additional Directors to the Board on or after the Closing Date, but such persons have not been determined as at the Latest Practicable Date. Details of any such further changes to the composition of the Board will be announced in accordance with the Listing Rules. Set out below are the proposed candidates to be nominated by the Offeror as the executive Director and independent non-executive Directors:

Proposed executive Directors

Dr. CHOI Chiu Fai Stanley, aged 46, possesses about 23 years of experience in financial service and merger and acquisition projects. He is chairman of Head & Shoulders Financial Group. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of several companies which are listed on The Stock Exchange of Hong Kong Limited. He is currently an executive director of Target Insurance (Holding) Limited (stock code: 6161). He is also a director of ZhongAn Online P&C Insurance Co. Ltd., a leading online insurance company in China. Dr. Choi was an executive director of Media Asia Group Holdings Limited (stock code: 8075) from October 2011 to September 2015. Dr. Choi obtained a Bachelor Degree of Business Administration (Magna Cum Laude) majoring in finance from Wichita State University in 1995 and a Degree of Master of Science from University of Illinois at Urbana-Champaign in 1996, both of which are in United States of America. He has also obtained a Doctor Degree of Business Administration from the City University of Hong Kong in 2013.

Mr. CHOI Ka Wai, aged 27, is a sales and marketing director at Samko Concept Asia Limited. He obtained his Bachelor Degree of Arts majoring in Economics from Hunter College City University of New York in 2012. Since graduation, Mr. CHOI has been actively engaged in sales and marketing business in the United States and China.

Proposed independent non-executive Directors

Mr. HA Kee Choy Eugene (“Mr. Ha”), aged 58, holds a master’s degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha is the director of a certified public accountants corporate practice and the director of an advisory services limited in Hong Kong. He is currently an independent non-executive director of China Optoelectronics Holding Group Co., Limited (stock code: 1332). Mr. Ha was an independent non-executive director of China Innovative Finance Group Limited (stock code: 412) (formerly known as Heritage International Holdings Limited) from October 2005 to April 2015.

Mr. SZETO Tat Kwan Brandon (“Mr. Szeto”), aged 43, is currently a senior executive with ACE Life Insurance Company Limited, holding the title of Head of Market Development, Wealth Management, Asia Pacific Region. He has previously held senior

LETTER FROM HEAD & SHOULDERS SECURITIES

positions in other international life insurance companies with offices in Hong Kong. Mr. Szeto is an Associate Member of the Society of Actuaries in USA since 2009 and also a Member of the Actuarial Society of Hong Kong. Mr. Szeto received his Honors degree majoring in Econometrics from Monash University in Australia in 1997.

Mr. FOK Wai Ming, Eddie (“Mr. Fok”), aged 48, is currently the company secretary and the authorised representative of China Fortune Holdings Limited (stock code: 110), a company which is listed on The Stock Exchange of Hong Kong Limited. Mr. Fok graduated from the University of Hong Kong with a bachelor degree of Science in Engineering and the University of Wolverhampton with a bachelor degree in laws and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Fok has years of practical experience in accounting, finance and corporate management of both listed and unlisted companies in Hong Kong. Mr. Fok was also the company secretary of South West Eco Development Limited (stock code: 1908) from May 2013 to December 2013.

Save as disclosed above, each of the five new Directors has not held any other directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas for the last three years.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, each of the five new Directors does not have any interest in the Shares (within the meaning of Part XV of the SFO).

Save for Dr. Choi Chiu Fai Stanley, who is the beneficial owner of the Offeror and as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, each of the five new Directors (i) does not hold any other positions in the Company or its subsidiaries; and (ii) does not have any other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

There are no service contracts entered into between each of the five new Directors and the Company in relation to their respective appointments as Directors. The emolument of each of the five new Directors will be determined by the Board with reference to their position, their level of responsibilities, remuneration policy of the Company and prevailing market conditions. Each of the five new Directors has no fixed term of service with the Company and shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting in accordance with the bye-laws of the Company.

Each of the five new Directors confirmed that there is no information which is discloseable nor is/was he/she involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there is no other matter that needs to be brought to the attention of the Shareholders.

Details of the changes to composition of the Board and the appointment of new Directors will be further announced as and when appropriate in compliance with the Takeovers Code and the Listing Rules.

DISCLOSURE IN DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Company and the Offeror are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Sze Lin Tang and Mr. Qiu Xiaohua, to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

As Ms. Kou Mei In, the chairlady of the Company and the non-executive Director, is the wife of Mr. Kyan, who is the sole owner and director of the Vendor, therefore Ms. Kou Mei has an indirect interest in the Offer and has not been included in the Independent Board Committee.

LETTER FROM HEAD & SHOULDERS SECURITIES

VMS Securities has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the terms of Offer are, or are not fair and reasonable and as to acceptance. The appointment of VMS Securities as the independent financial adviser has been approved by the Independent Board Committee.

COMPULSORY ACQUISITION

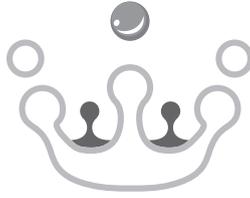
The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information regarding the Offer, set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In particular, your attention is draw to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by Independent Financial Adviser to the Independent Board Committee as set out in the “Letter from Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,
For and on behalf of
Head & Shoulders Securities Limited
Chan Wai Sang
Director

LETTER FROM THE BOARD



DAQING DAIRY HOLDINGS LIMITED
大慶乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

Executive Directors:

Mr. Ng Kwong Chue Paul
Mr. Wang Delin

Non-executive Director:

Ms. Kou Mei In

Independent non-executive Directors:

Mr. Sze Lin Tang
Mr. Qiu Xiaohua

Registered office:

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

Principal place of

business in Hong Kong:
Room 2512, 25/F.
Cosco Tower
183 Queen's Road Central
Hong Kong

29 January 2016

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY



**FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY
OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT
WITH IT) IN DAQING DAIRY HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement.

LETTER FROM THE BOARD

The Company was informed by the Vendor (the then controlling Shareholder) that on 4 May 2015, the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror has agreed to acquire and the Vendor has agreed to sell the Sale Shares, being 610,193,622 Shares, for a total Consideration of HK\$61,019,362.20, equivalent to HK\$0.10 per Sale Share. The Sale Shares represent approximately 60.39% of the 1,010,500,000 Shares in issue of the Company as at the date of the Joint Announcement. Completion took place on 11 May 2015.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Offeror, the Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from VMS Securities to the Independent Board Committee in relation to the Offer and as to its acceptance.

Principal terms of the Offer

Head & Shoulders Securities, on behalf of the Offeror, is making the Offer to acquire all the issued Shares other than those already owned by the Offeror and parties acting in concert with it in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.10 in cash

The Offer Price of HK\$0.10 per Sale Share, which is the same as the original purchase price of the Sale Shares acquired by the Vendor, was agreed between the Vendor and the Offeror after arm's length negotiations having taken into account, amongst others, (i) the prolonged suspension of trading in the Shares since 22 March 2012; (ii) the subsequent development of the Company's situation as publicly disclosed in its announcements; and (iii) such acquisition of the controlling stake in the Company having proceeded on the basis that the Offeror was only able to assess the Company's difficult situation based on publicly available information and no guarantee, representation or warranty was given by the Vendor to the Offeror to assure any conditions (financial, operation or otherwise) of the Company including but not limited to continuity of existing business, status of financial statements and resumption of the trading of Shares on the Stock Exchange.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

LETTER FROM THE BOARD

Effects of accepting the Offer

By validly accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately following Completion and as at the Latest Practicable Date.

	(i) Immediately prior to Completion		(ii) Immediately following Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Vendor	610,193,622	60.39%	—	0.00%
The Offeror and parties acting in concert with it	—	—	610,193,622	60.39%
Public Shareholders	<u>400,306,378</u>	<u>39.61%</u>	<u>400,306,378</u>	<u>39.61%</u>
Total	<u>1,010,500,000</u>	<u>100.00%</u>	<u>1,010,500,000</u>	<u>100.00%</u>

INFORMATION ON THE GROUP

The Company is principally engaged in investment holding and was incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange.

Since the new Board was formed in September 2013, the Board has been encountering difficulties to gain a management control over the PRC Subsidiaries. Access to the PRC Subsidiaries by the new Board was denied and there has been a lack of cooperation by the existing management of the PRC Subsidiaries. Based on the information retrieved and the site inspection conducted by an independent PRC agency arranged by the forensic accountant in late 2014, the Board has reasonable belief that some of the members of the Group are still operating their ordinary business, i.e. production, marketing and sales of dairy products in the PRC. As disclosed in the previous announcements of the Company, the Company has engaged forensic accountant to conduct an investigation on the matters raised by the ex-auditors of the Company, Deloitte Touche Tohmatsu but the progress is not satisfactory given the lack of support by the management of the PRC Subsidiaries. Such forensic investigation has been temporarily halted due to insufficient financial resources of the Company. Given the lack of effective control by the Board over the operating subsidiaries of the Company, attempts have also been made by the Board to effect the change of the legal representatives of the PRC Subsidiaries but it is not optimistic that such change can be effected in a short period of time.

LETTER FROM THE BOARD

On 14 May 2015, the Stock Exchange issued a letter informing the Company that in view of, among others, the fact that: (a) all the Company's businesses are carried out by the PRC Subsidiaries; (b) the Company has been facing difficulties in exercising control over the PRC Subsidiaries; (c) the Company was refused by the PRC Subsidiaries to access to their offices and factories and was not provided with any information, books and records; and (d) the request for changing the PRC Subsidiaries' legal representatives was not entertained, the Company has lost its control on the PRC Subsidiaries and the Stock Exchange considers that the Company is unable to maintain a sufficient level of operations or assets required under rule 13.24 of the Listing Rules to support a continued listing. Accordingly, the Stock Exchange has decided to place the Company in the first delisting stage pursuant to Practice Note 17 to the Listing Rules. The first delisting stage expired on 13 November 2015.

On 19 November 2015, the Stock Exchange issued a letter to the Company stating that: (i) the first delisting stage has expired on 13 November 2015 but the Company has not submitted any resumption proposal before the deadline; and (ii) the Stock Exchange decided to place the Company in the second delisting stage under Practice Note 17 to the Listing Rules.

The second delisting stage will expire on 18 May 2016. The Company should provide a viable resumption proposal at least 10 Business Days before the second delisting stage expires (i.e. 3 May 2016) to:

- (i) demonstrate sufficient operations of assets under rule 13.24 of the Listing Rules;
- (ii) conduct forensic investigation on the issues raised by Deloitte Touche Tohmatsu, disclose the findings of the investigation and take any remedial actions;
- (iii) demonstrate that there is no reasonable regulatory concern about the character, level of due care and integrity the Company's management which will pose a risk to investors and damage market confidence;
- (iv) publish all outstanding financial results and address any audit qualifications;
- (v) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and
- (vi) inform the market of material information for the shareholders and the investors to appraise the Group's position.

It was further stated that the Stock Exchange may modify any of the resumption conditions above and/or impose further resumption conditions if necessary.

On 3 December 2015, the Company resolved to wind up its immediate Singapore incorporated subsidiary (i.e. Global Milk) as the Company was unable to ascertain the completeness and accuracy of its books and records so as to exercise management control

LETTER FROM THE BOARD

over such subsidiary; and that such Singapore subsidiary had failed to serve as an intermediate holding company to exercise an effective control over its operating subsidiaries in the PRC (i.e. the PRC Subsidiaries).

Reference is made to the announcements of the Company dated 29 March 2012 and 28 December 2012 with regards to the resignation of the then auditors, Deloitte Touche Tohmatsu, with effect from 21 March 2012 and the announcement dated 9 January 2013 with regards to extensive damages to the computers and financial documents of Da Qing Dairy Ltd.* (大慶乳品廠有限責任公司). In view of the above, the outstanding annual results for the four years ended 31 December 2011, 2012, 2013 and 2014 and interim results for the six months ended 30 June 2012, 2013, 2014 and 2015, were published on 21 January 2016 and the respective annual and interim reports were published on 25 January 2016.

As disclosed in the Group's consolidated financial statements for the year ended 31 December 2010, bank balances and cash amounted to approximately RMB11,523,000 were recorded on the statement of financial position of the Company at 31 December 2010. Except for bank balances of approximately RMB3,000, the Directors have been unable to locate the bank accounts and have no information as to the whereabouts of the bank balances and cash due to incomplete books and records of the Company and the unresponsiveness of the Company's previous management to the enquiry by the Board. In the event that the Board discovers any criminal element involved in the missing amount of RMB11,520,000, the Board will report to relevant regulatory authorities for further investigation.

INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE GROUP

Your attention is drawn to the letter from Head & Shoulders Securities in this Composite Document for the information on the Offeror and its intention regarding the Group. In particular, as stated in the letter from Head & Shoulders Securities, the Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange. The Offeror and the proposed new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

The Board is also aware of the Offeror's intention in relation to the Group and its employees and the proposed change of Board composition, and is willing to render co-operation with the Offeror and would continue to act in the best interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee comprises all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Sze Lin Tang and Mr. Qiu Xiaohua, to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

As Ms. Kou Mei In, the chairlady of the Company and the non-executive Director, is the wife of Mr. Kyan, who is the sole owner and director of the Vendor, therefore Ms. Kou Mei In has an indirect interest in the Offer and has not been included in the Independent Board Committee.

VMS Securities has been appointed by the Board after approval by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

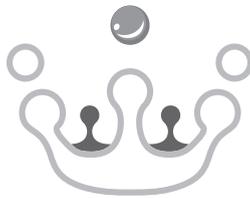
Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 25 to 26 of this Composite Document and the letter of advice from VMS Securities set out on pages 27 to 44 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Head & Shoulders Securities set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance which contain further details of the Offer and the procedures for acceptance of the Offer. Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of the Board
Daqing Dairy Holdings Limited
Kou Mei In
Chairlady

* *For identification purposes only*



DAQING DAIRY HOLDINGS LIMITED

大慶乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

29 January 2016

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY



聯合證券有限公司
HEAD & SHOULDERS SECURITIES LIMITED
EXCHANGE PARTICIPANT OF THE STOCK EXCHANGE OF H.K. LTD.

**FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY
OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT
WITH IT) IN DAQING DAIRY HOLDINGS LIMITED**

We refer to the Composite Document dated 29 January 2016 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee 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 its acceptance. VMS Securities has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the “Letter from the Independent Financial Adviser” as set out on pages 27 to 44 of the Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Head & Shoulders Securities” and the additional information as set out in the appendices to the Composite Document.

Taking into account the terms of the Offer and the independent advice from VMS Securities, 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” as set out in the Composite Document.

Yours faithfully,
For and on behalf of

Independent Board Committee

Mr. Sze Lin Tang

Mr. Qiu Xiaohua

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of the letter of advice from VMS Securities to the Independent Board Committee prepared for inclusion in this Composite Document.



VMS Securities Limited
49/F, One Exchange Square
8 Connaught Place, Central, HK
香港中環康樂廣場8號交易廣場1期49樓
Tel/電話: (852) 2996 2161
Fax/傳真: (852) 2996 1210

29 January 2016

To: the Independent Board Committee of Daqing Dairy Holdings Limited

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HEAD & SHOULDERS SECURITIES LIMITED
ON BEHALF OF GLOBAL COURAGE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
HK\$0.00001 EACH IN THE SHARE CAPITAL OF
DAQING DAIRY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
GLOBAL COURAGE LIMITED AND PARTIES ACTING IN CONCERT
WITH IT)**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document, of which this letter forms part. This letter contains our advice to the Independent Board Committee as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Unless otherwise stated, terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 4 May 2015, the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror has agreed to acquire and the Vendor has agreed to sell the Sale Shares, being 610,193,622 Shares, for a total Consideration of HK\$61,019,362.20, equivalent to HK\$0.10 per Sale Share. The Sale Shares represent approximately 60.39% of the 1,010,500,000 Shares in issue of the Company as at the date of the Joint Announcement. Completion took place on 11 May 2015.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule

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26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of two executive Directors, namely, Mr. Ng Kwong Chue Paul and Mr. Wang De Lin; one non-executive Director, namely, Ms. Kou Mei In; and two independent non-executive Directors, namely, Mr. Sze Lin Tang and Mr. Qiu Xiaohua.

An Independent Board Committee comprising all independent non-executive Directors who have no direct or indirect interest in the Offer has been established to advise the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable as far as the Independent Shareholders are concerned and whether the Independent Shareholders should, or should not accept the Offer.

VMS Securities has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offer. During the past two years, VMS Securities had no past engagement with the Company. Also, as at the Latest Practicable Date, we were independent from and not connected with the Group. Accordingly, in compliance with Rule 2 of the Takeovers Code, VMS Securities is qualified to give independent advice to the Independent Board Committee in relation to the Offer and as to its acceptance. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have also assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Composite Document have been reasonably made after due and careful enquiry. In addition, we have sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Composite Document. Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

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We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not considered the tax consequences on the Independent Shareholders of acceptance of the Offer since these are particular to 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.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Offer, we have taken into consideration the following principal factors and reasons:

1. Background to and terms of the Offer

On 4 May 2015, the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror has agreed to acquire and the Vendor has agreed to sell the Sale Shares, being 610,193,622 Shares, for a total Consideration of HK\$61,019,362.20, equivalent to HK\$0.10 per Sale Share. The Sale Shares represent approximately 60.39% of the 1,010,500,000 Shares in issue of the Company as at the date of the Joint Announcement. Completion took place on 11 May 2015.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

On behalf of the Offeror, Head & Shoulders Securities is making the Offer to acquire all the issued Shares other than those already owned by the Offeror and parties acting in concert with it in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.1 in cash

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As extracted from the Letter from the Board, save for the 1,010,500,000 Shares in issues, the Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Offer Price of HK\$0.10 per Sale Share, which is the same as the original purchase price of the Sale Shares acquired by the Vendor, was agreed between the Vendor and the Offeror after arm's length negotiations having taken into account, amongst others, (i) the prolonged suspension of trading in the Shares since 22 March 2012; (ii) the subsequent development of the Company's situation as publicly disclosed in its announcements; and (iii) such acquisition of the controlling stake in the Company having proceeded on the basis that the Offeror was only able to assess the Company's situation based on publicly available information and no guarantee, representation or warranty was given by the Vendor to the Offeror to assure any conditions (financial, operation or otherwise) of the Company including but not limited to continuity of existing business, the status of financial statements and the resumption of trading of the Shares on the Stock Exchange.

Based on the Offer Price and the total number of 400,306,378 Offer Shares subject to the Offer following the completion of the acquisition of the Sales Shares, the total consideration payable by the Offeror under the Offer amounts to approximately HK\$40.03 million.

Details and the terms of the Offer are set out in the "Letter from Head & Shoulders Securities" and Appendix I to the Composite Document.

2. Historical financial performance of the Group

The Company is principally engaged in investment holding and was incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange. Trading in the Shares has been suspended since 22 March 2012 due to the resignation of the then auditors, Deloitte Touche Tohmatsu ("Deloitte"). Since the new Board was formed in September 2013, the Board has been encountering difficulties to gain management control over the PRC Subsidiaries. Access to the PRC Subsidiaries by the new Board was denied and there has been a lack of cooperation by the existing management of the PRC Subsidiaries. Based on the information retrieved and the site inspection conducted by an independent PRC agency arranged by the forensic accountant in late 2014, the Board has reasonable belief that some of the Company's subsidiaries are still operating their ordinary business, i.e. production, marketing and sales of dairy products in the PRC. Details of which are set out in the section headed "*Prospect of the Group*" below.

Due to lack of financial records, the subsidiary incorporated in Singapore, Global Milk is also unable to provide necessary information to the Board for audit purpose. The Company resolved to put Global Milk into winding up in a shareholder's meeting held on 3 December 2015, subject to further legal advice.

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Given the uncooperative manner from the previous management of the Group (including the current executive Director Wang De Lin who are now not contactable, the Board currently believes that as regards to the preparation of the Group's financial statements for the years ended 31 December 2011 to 2014 which have been significantly delayed for publication, it is not practical to ascertain the transactions and balances of all the Group's subsidiaries, (i.e., the PRC Subsidiaries and Global Milk, collectively referred to as the "Deconsolidated Subsidiaries") for inclusion in the consolidated financial statements of the Group. As such, the results, assets and liabilities of the Deconsolidated Subsidiaries have not been included into the consolidated financial statement of the Group since 1 January 2011.

Set out below is a summary of the Group's consolidated operating results and financial position, which have excluded the results, assets and liabilities of the Deconsolidated Subsidiaries, extracted from its latest audited accounts (i.e. 31 December 2014) on which the audit opinion has been disclaimed and the latest reviewed accounts for the six months ended 30 June 2015:

	For the year ended 31 December		For the six months ended 30 June	
	2013 (Audited) <i>RMB'000</i>	2014 (Audited) <i>RMB'000</i>	2014 (Reviewed) <i>RMB'000</i>	2015 (Reviewed) <i>RMB'000</i>
Revenues	—	—	—	—
Costs of sales	—	—	—	—
Gross Profit	—	—	—	—
Administration expenses	(1,421)	(2,622)	(1,540)	(1,568)
Loss for the year/period	(3,445)	(2,622)	(1,540)	(1,568)
Loss for the year/period attributable to owners of the Company	(3,445)	(2,622)	(1,540)	(1,568)
			As at 31 December 2013 (Audited) <i>RMB'000</i>	As at 30 June 2015 (Reviewed) <i>RMB'000</i>
Non-current assets		498	429	—
Current assets		517	558	152
Total assets		1,015	987	152
Current liabilities		(19,116)	(21,625)	(22,308)
Total liabilities		(19,116)	(21,625)	(22,308)
Net Liabilities		(18,101)	(20,638)	(22,156)

Since the suspension of trading in the Shares on 22 March 2012, the business of the Group had deteriorated substantially. As depicted by the above table, for the years ended 31 December 2013 and 2014, the Group did not record any revenue because of

the exclusion of the operation of the Deconsolidated Subsidiaries. The Group also incurred losses of approximately RMB3,445,000 and RMB2,622,000 for the years ended 31 December 2013 and 2014, respectively. For the year ended 31 December 2013, the loss was attributable to administration expense of approximately RMB1,421,000 and the other suspense account of approximately RMB2,024,000 which represents loss recognised in respect of the aggregate amounts of the credit balances of bank transactions of which the directors of the Company were unable to locate relevant books and records during the year ended 31 December 2013. For the year ended 31 December 2014, the loss of approximately RMB2,622,000 was mainly attributable to administrative expenses incurred. As for the financial position of the Group, the Group had net liabilities of approximately RMB22.2 million as at 30 June 2015 which mainly comprised of accrued expenses, amounts due to related parties, the Deconsolidated Subsidiaries, a director and an immediate holding company and other payables.

3. Prospects of the Group

With reference to the Composite Document, trading in the Shares on the Stock Exchange has been suspended since 22 March 2012 pending release of an announcement in relation to the resignation of Deloitte, which was price sensitive in nature.

On 29 March 2012, the Company issued an announcement stating that the Company received a letter from Deloitte dated 21 March 2012 advising its resignation as auditors of the Company. Deloitte informed that, during the course of the audit, they found various issues including fraudulent milk procurement transactions which affected the accuracy of the Group's financial statements. Despite Company's effort in providing supporting information and explanations to Deloitte, the Company was unable to allay Deloitte's misgivings nor agree with it as to the next course of action. For details of the resignation of Deloitte, please refer to the aforesaid announcement.

According to the Company's announcement dated 9 November 2012, the Company received a letter from the Stock Exchange informing the resumption conditions which include, among others, engaging an independent forensic specialist to conduct forensic investigation on the concerns raised by Deloitte, including certain potentially fraudulent transactions of the Company as disclosed in the announcement of the Company dated 29 March 2012.

On 6 November 2013, the Company announced that, in order to fulfill the resumption conditions, the Company retained a forensic accountant to provide forensic accounting services to the Company. In 2014, the Company published various announcements stating difficulties encountered for the forensic investigation which included among others, the unwillingness of the management of the PRC subsidiaries to assist in the forensic field work. The Company further announced on 30 April 2015 that, the forensic investigation had been temporarily halted due to insufficient financial resources.

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According to the announcement of the Company dated 19 May 2015, the Stock Exchange issued a letter dated 14 May 2015 informing the Company that in view of, among others, the fact that: (i) all the Company's businesses were carried out by the PRC Subsidiaries of the Company; (ii) the Company had been facing difficulties in exercising control over the PRC Subsidiaries; (iii) the Company was refused to access to their offices and factories and was not provided with any information, books and records; and (iv) the request for changing the PRC Subsidiaries' legal representatives was not entertained, the Company had lost its control on the PRC Subsidiaries and the Stock Exchange considered that the Company was unable to maintain a sufficient level of operations or assets required under Rule 13.24 of the Listing Rules to support a continued listing. Accordingly, the Stock Exchange has decided to place the Company in the first delisting stage pursuant to Practice Note 17 to the Listing Rules. Other than the resumption conditions imposed by the Stock Exchange which were announced on 9 November 2012, the Company also had to demonstrate that it had a sufficient level of operations or assets of sufficient value as required under Rule 13.24 of the Listing Rules in the resumption proposal (the "Resumption Proposal").

On 23 November 2015, the Company announced that it had received a further letter dated 19 November 2015 from the Stock Exchange stating that (i) the first delisting stage has expired on 13 November 2015 but the Company has not submitted any Resumption Proposal before the deadline; and (ii) the Stock Exchange decided to place the Company in the second delisting stage under Practice Note 17 to the Listing Rules. The Stock Exchange has also informed the Company that it is required to address certain issues as detailed in the aforesaid announcement, including but not limited to the submission of the Resumption Proposal before any application for resumption of trading in the Shares can be considered.

Also set out in the Company's announcement dated 23 November 2015, firstly, the Company was considering winding up its immediate subsidiary (i.e. Global Milk), which was incorporated in Singapore as the Company is unable to ascertain the completeness and accuracy of its books and records so as to exercise management control over such Singapore subsidiary; and that such Singapore subsidiary has failed to serve as an intermediate holding company to exercise an effective control over its subsidiaries in the PRC (i.e. the PRC Subsidiaries). In this regard, the Company passed a resolution to wind up Global Milk on 3 December 2015. Secondly, the Company was trying its best endeavours, in working with its auditors, to prepare its annual financial statements for the years ended 31 December 2011 to 2014 and the interim financial statements thereof as soon as possible. In this regard, the annual financial statements for the years ended 31 December 2011 to 2014 and the interim financial statements thereof were published on 25 January 2016. Thirdly, the Board is in the process of identifying suitable target for business cooperation and/or acquisition.

As set out in the Company's announcement dated 23 November 2015, the second delisting stage will expire on 18 May 2016. We understand that at the end of second delisting stage, the Stock Exchange will determine whether it is appropriate to proceed to the third stage of the delisting procedures. In making such decision, the Stock Exchange will consider any proposal made by or on behalf of the Company. Where the

Stock Exchange determines to proceed to the third stage delisting procedure, it will publish an announcement naming the Company, indicating that it does not have sufficient assets or operations for listing and imposing a deadline (generally six months) for the submission of Resumption Proposals. During the third stage delisting procedure, the Company would again be required to provide monthly progress reports to the Stock Exchange. At the end of the third stage delisting procedure, where no proposals have been received for resumption, the listing will be cancelled, and this would be announced by both the Stock Exchange and the Company concerned.

In light of all of the above and the fact that there is currently no information to us regarding any Resumption Proposal or any concrete business plan by the Offeror that may be able to assist the Company in applying for resumption in trading of the Shares (details on the Offeror and its intention regarding the Company are set out in the sections headed “*Information on the Offeror*” and “*Intention of the Offeror on the Group*” below), we consider that there are significant uncertainties regarding the timing and possibility of resumption of trading in the Shares.

4. Information on the Offeror

Set out below is the information on the Offeror as extracted from the Composite Document:

The Offeror was incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Head and Shoulders Direct Investment. The sole director of the Offeror is Head and Shoulders Direct Investment. Head and Shoulders Direct Investment was incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Dr. Choi who is also the sole director of Head and Shoulders Direct Investment.

Dr. Choi possesses about 23 years of experience in financial service and merger and acquisition projects. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of various listed companies in Hong Kong. Dr. Choi is currently an executive director of Target Insurance (Holdings) Limited (Stock Code: 6161). Dr. Choi is also a director of ZhongAn Online P&C Insurance Co., Ltd., a leading online insurance company in PRC.

5. Intentions of the Offeror on The Group

We note from the “*Letter from Head & Shoulders Securities*” that the Offeror will conduct a detailed review on the operations of the Group with a view to formulating a comprehensive business strategy for the Group and subject to the result of review, the Offeror may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to maintain the listing status of the Company and to resume trading of the Shares from prolonged suspension in view that the Stock Exchange has decided to place the Company in the second delisting stage pursuant to Practice Note 17 to the Listing Rules.

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We also understand that in order to broaden its income source and to accelerate the Group's growth and future development, the Offeror will explore and consider any other investment and business opportunities that may arise in the market, which does not limit to any particular industry, from time to time that it considers value-enhancing to Shareholders and/or otherwise in the best interests of the Group. However, as at the Latest Practicable Date, no such investment or business opportunities have been identified nor has the Offeror entered into any agreement, arrangements, understanding, intention or negotiation in relation to the injection of any assets or business into the Group. Therefore the Offeror is not able to estimate the time schedule for the Company to fulfill the resumption conditions and resume trading of the Shares. The Offeror and/or the Company will make announcement(s) to update Shareholders and potential investors in relation to the Group's business update in compliance with the Listing Rules as and when appropriate. The Offeror is aware of the difficulties faced by the Board in relation to the loss of control over the Deconsolidated Subsidiaries.

In addition, we note that it is the preliminary intention of the Offeror to dispose of the PRC Subsidiaries after the Offeror has identified new business project(s) to be injected into the Group. Details of the disposal of the PRC Subsidiaries, if any, will be disclosed in the resumption proposal to be submitted by the Company to the Stock Exchange in due course. However, as at the Latest Practicable Date, no resolution, agreement or arrangement whatsoever in relation to the disposal of the PRC Subsidiaries has been reached or entered into by the Board.

As mentioned previously, trading in the Shares had remained suspended as at the Latest Practicable Date. According to the Letter from the Board, the Offeror has no intention to privatize the Group and intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Offeror and the proposed new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares if the public float of the Company falls below 25% upon the close of the Offer.

Having taken into account (i) the absence of any business operations as indicated in the Company's latest available financial statements; and (ii) the uncertainty in the timing and possibility of resumption of trading in the Shares, we are of the opinion that the Offer provides a ready exit for the Independent Shareholders to release their investments in Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

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Independent Shareholders who believe in any possible resumption of trading in the Shares in the future may consider not accepting the Offer. However, they should carefully consider the relevant risks and uncertainties in doing so based on their risk preference and tolerance level.

6. Proposed change of board composition of the Company

As at the date of the Composite Document, the Board comprised two executive Directors, namely, Mr. Ng Kwong Chue, Paul and Mr. Wang De Lin; one non-executive Director, namely, Ms. Kou Mei In; and two independent non-executive Directors, namely, Mr. Sze Lin Tang and Mr. Qiu Xiaohua. Upon Completion, it is intended that all the members of the Board will be changed, either by way of voluntary resignation and/or removal by ordinary resolution at general meeting. As at the date of the Latest Practicable Date, all Directors have tendered their resignation from their office with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable laws.

The new Directors to be nominated by the Offeror to the Board will only take effect from the earliest time permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made by the Company as and when appropriate.

The biographical details of the nominated Directors are set out in the “Letter from Head & Shoulders Securities”.

7. The Offer

On behalf of the Offeror, Head & Shoulders Securities is making an unconditional mandatory cash offer to acquire all Offer Shares, subject to the terms, conditions and procedures set out in this letter, Appendix I to the Composite Document and the accompanying Form of Acceptance, on the following basis:

For each Offer Share HK\$0.1 in cash

As at the Latest Practicable Date, save for the 1,010,500,000 Shares in issues, the Company did not have any other shares nor any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares. Also, the Company has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Offer Price of HK\$0.1 per Offer Share represents:

- (i) a discount of approximately 94.05% to the closing price of HK\$1.680 per Share as quoted on the Stock Exchange on 21 March 2012, being the Last Trading Day;

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- (ii) a discount of approximately 94.63% to the average of the closing prices of the Shares of HK\$1.862 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 94.85% to the average of the closing prices of the Shares of HK\$1.941 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 94.64% to the average of the closing prices of the Shares of HK\$1.864 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day.

The audited consolidated net liabilities of the Group attributable to Shareholders were approximately HK\$13.38 million as at 31 December 2014.

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8. Historical Share price performance of the Shares

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 28 October 2010, being the date at which dealings in the Shares first commenced on the Main Board, up to and including the Last Trading Day (the “Review Period”) are shown as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2010				
October	3.940	3.850	3.895	2
November	4.000	2.740	3.499	22
December	3.250	2.480	2.777	22
2011				
January	2.750	2.480	2.624	21
February	2.490	2.070	2.307	18
March	3.170	2.100	2.625	23
April	3.720	2.990	3.306	18
May	3.360	2.760	3.056	20
June	2.990	2.560	2.701	21
July	2.840	2.280	2.575	20
August	2.910	2.220	2.483	23
September	2.290	1.110	1.618	20
October	1.910	0.900	1.440	20
November	2.030	1.360	1.674	22
December	1.540	1.390	1.467	20
2012				
January	1.600	1.350	1.454	18
February	2.020	1.520	1.736	21
March (up to and including the Last Trading Day) (<i>Note</i>)	2.130	1.680	1.947	15

Source: Bloomberg

Note: Trading in the Shares was suspended on 22 March 2012.

During the Review Period, the average daily closing price of the Shares ranged from HK\$1.440 to HK\$3.895 per Share in each month and followed a general downward moving trend since April 2011.

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Independent Shareholders should note that due to the prolonged suspension of trading in the Shares on the Stock Exchange for more than three years, comparison of the Offer Price with the closing prices of the Shares prior to the suspension of trading in the Shares may not provide a relevant or appropriate reference. Therefore, the analysis on the share prices and movement shown above are for information only and, in particular, we are of the view that such share prices and movement are not able to give any benchmark for the evaluation of the fairness and reasonableness of the Offer Price.

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9. Historical liquidity of the Shares

The average daily number of Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the number of issued Shares as at the Latest Practicable Date are tabulated as follows:

Month	Average daily trading volume (the “Average Volume”) (HK\$)	% of the Average Volume to total no. of issued Shares held by the public as at the Latest Practicable Date (Note 2) (HK\$)	% of the Average Volume to total no. of issued Shares at the Latest Practicable Date (Note 3) (HK\$)	No. of trading days in each month
2010				
October	120,138,400	0.30	0.119	2
November	8,332,356	0.02	0.008	22
December	5,633,040	0.01	0.006	22
2011				
January	3,390,014	0.01	0.003	21
February	2,329,778	0.01	0.002	18
March	7,097,220	0.02	0.007	23
April	15,047,113	0.04	0.015	18
May	4,629,677	0.01	0.005	20
June	4,917,868	0.01	0.005	21
July	3,771,031	0.01	0.004	20
August	2,542,334	0.01	0.003	23
September	3,988,054	0.01	0.004	20
October	12,651,121	0.03	0.013	20
November	6,148,000	0.02	0.006	22
December	2,105,050	0.01	0.002	20
2012				
January	1,561,444	0.004	0.004	18
February	5,916,530	0.01	0.006	21
March (up to and including the Last Trading Day) (Note 1)	14,261,467	0.04	0.014	15

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Source: Bloomberg

Notes:

1. Trading in the Shares was suspended on 22 March 2012.
2. Based on 400,306,378 Shares held in public hands as at the Latest Practicable Date.
3. Based on 1,010,500,000 Shares in issue as at the Latest Practicable Date.

The above table illustrates that the average daily trading volume of the Shares per month was thin during the Review Period. Except for October 2010, the trading average of the Shares was below 0.1% of the total number of issued Shares held by the public as at the Latest Practicable Date during the entire Review Period. Given that the Shares were illiquid during the Review Period, the disposal of large block of Shares held by the Independent Shareholders in the open market (assuming trading in Shares on the Stock Exchange was resumed) is expected to be difficult (if not possible at all) without triggering price slump of the Shares.

For the above reason, there is no guarantee that Independent Shareholders would be able to realise their investment in the Shares (especially those with relatively sizable shareholdings) at the price level prior to the Last Trading Day or at a price higher than the Offer Price when trading in the Shares on the Stock Exchange is resumed in the future. Independent Shareholders are also reminded that resumption of trading in the Shares on the Stock Exchange is uncertain at the moment. We, therefore, consider that the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

10. Other offers in Hong Kong

In order to provide Shareholders and investors with information on general trend of mandatory general offers in the recent market, we have, on a best effort basis, conducted a search for the recent mandatory general offers announced within the three-month period from 2 February 2015 up to the Latest Practicable Date (the “Comparison Period”). As the capital market may change rapidly, we consider that the Comparison Period reflects a fair and recent period of comparison for the mandatory general offers. During the Comparison Period and based on our research conducted, we identified a total of 11 general offers announced by companies listed on the Stock Exchange (the “Other Offers”). To the best of our knowledge, effort and endeavor and based on the information disclosed on the Stock Exchange’s website (<http://www.hkexnews.hk/index.htm>), the list of the Other Offers is an exhaustive list of recent mandatory general offers for comparison purpose based on our selection criteria mentioned above. The Other Offers are the most relevant recent mandatory general offers announced, we consider that the Other Offers represent the recent trend of the mandatory general offers in the prevailing market condition and provide a general reference in respect of the common market practice on mandatory general offers conducted by listed companies in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summarised below are our relevant findings:

Date of offer document	Company Name	Stock Code	Premium/(discount) represented by offer price over/(to) share closing price as at the last trading day preceding the commencement date of offer periods (the “Price Premium/Discount Rate”) (%)
10 February 2015	Jin Bao Bao Holdings Limited	1239	15.25
18 February 2015	Gamma Logistics Corporation	8310	(15.56)
5 March 2015	Group Sense (International) Limited	601	45.78
6 March 2015	New Media Group Holdings Limited	708	(67.40)
16 March 2015	ASR Logistics Holdings Limited	1803	(57.30)
17 March 2015	TeleEye Holdings Limited	8051	14.37
25 March 2015	IDT International Limited	167	(56.38)
15 April 2015	HKC (Holdings) Limited	190	17.92
16 April 2015	Shanghai Zendai Property Limited,	755	9.29
20 April 2015	Proview International Holdings Limited	334	(82.67)
24 April 2015	Magnum Entertainment Group Holdings Limited	2080	6.21
Maximum			45.78
Minimum			(82.67)
Median			6.21
As at Latest Practicable Date	The Company	1007	(94.05)

As demonstrated by the above table, the Price Premium/Discount Rate of the Other Offers ranged from a premium of approximately 45.78% to a discount of approximately 82.67%. The Offer Price of HK\$0.1 represents a discount of approximately 94.05% to the closing price of the Shares on the Last Trading Day, and hence falls outside the range of the Price Premium/Discount Rate of the Other Offers and such discount is higher than any of the Other Offers with a discounted offer price.

Independent Shareholders should be reminded that due to the prolonged suspension of trading in the Shares on the Stock Exchange for more than three years and the Company’s subsequent loss of control over all its subsidiaries, direct comparison of the Offer Price with the closing prices of the Shares prior to the suspension of trading in the Shares may be irrelevant.

It should be noted that the businesses, operations and prospects of the Company are not the same as those under the Other Offers as set out in the above table. In particular, the offer price in a general offer exercise may also vary due to factors including but not limited to the unique business, operation, financial standings and prospects of each individual company, and the arm’s length negotiations between the

offeror and the vendor. Accordingly, the Other Offers are only used to provide a general reference for recent general offer exercises by companies listed on the Stock Exchange.

In view of (i) the Group's recorded net liabilities of approximately HK\$12.7 million as at 30 June 2015; (ii) the absence of any business operations as indicated in the Company's latest financial statements; and (iii) the uncertainty in the timing and possibility of resumption of trading in the Shares, we are of the opinion that the discount as represented by the Offer Price which falls outside the range of the Price Premium/Discount Rate of the Other Offers is still fair and reasonable.

11. Other commonly used benchmarks

Other commonly used benchmarks for evaluating the value of companies include the price to book ratio, price to earnings ratio and dividend yield. However, taking into account (i) the net deficit position of the Group as at 31 December 2014; (ii) the loss making history of the Group; and (iii) that the Company had never paid dividend to the Shareholders, we consider that such commonly used benchmarks are not applicable in this case.

V. RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (i) the prolonged suspension of share trading of the Company which has been placed in the second stage of delisting;
- (ii) net liabilities of approximately HK\$13.38 million as at 31 December 2014 and the absence of any business operations as indicated in the Company's latest available financial statements;
- (iii) loss of control over all the Group's operating subsidiaries as the Company has resolved to wind up Global Milk, the intermediate holding Company holding the PRC Subsidiaries which the Group had lost control; and
- (iv) the uncertainty in the timing and possibility of resumption of trading in the Shares in light of the fact that no information on any Resumption Proposal was available as at the Latest Practicable Date,

we consider that the terms of the Offer (including the Offer Price) are 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.

Please note, however, that the Shares were traded above the Offer Price before the suspension of trading in the Shares on the Stock Exchange in March 2012. Accordingly, after accepting the Offer, the Independent Shareholders cannot consider selling their Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the open market after the resumption of trading in the Shares even if the net proceeds obtainable from such disposal of the Shares (after deducting all transactions costs) would be higher than the net proceeds from accepting the Offer.

The Independent Shareholders may consider searching for other potential purchaser(s) to purchase the Shares and to consider selling their Shares to those potential purchaser(s), if possible, instead of accepting the Offer, if the net proceeds from such sales exceed the amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investment in the Shares should carefully monitor the intentions of the Offeror regarding the Group in the future and the potential difficulties the Independent Shareholders may encounter in disposing of their investments in the Shares after the close of the Offer. Further details and terms of the Offer are set out in the “Letter from Head & Shoulders Securities” and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
VMS Securities Limited

Nick Man
Managing Director
Corporate Finance

Note: Mr. Nick Man is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of VMS Securities Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

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

- (a) 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 Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance 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), by post or by hand, 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 in an envelope marked “Daqing Dairy Offer” in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) 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:
 - (i) 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 the duly completed Form of Acceptance 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
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance 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
 - (iii) 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 authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/

custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If 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) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered 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 (and/or any satisfactory indemnity or indemnities required in respect thereof) 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 (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) 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 the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Head & Shoulders Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this

paragraph have been so received, and is:

- (i) 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 the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares;
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another subparagraph of this paragraph; or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Shareholder appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer 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 in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance, 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.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

3. ANNOUNCEMENT

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or its concert parties before the Offer Period;
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror or its concert parties during the Offer Period;
 - (iv) details of any relevant securities in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
 - (v) the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror 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 satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance, together with 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) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within 7 Business Days after the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller’s ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

6. OVERSEAS SHAREHOLDERS

The Offer is in respect of securities of a company incorporated in the Hong Kong and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. Any Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. The Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the 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 in respect of such jurisdictions).

7. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Head & Shoulders Securities, Veda Capital, VMS Securities, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title or of indemnity or of any other nature 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, at their own risk, and none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Head & Shoulders Securities, Veda Capital, VMS Securities, the Registrar or any of their respective directors or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of preemption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by the Company on the posting of this Composite Document.

- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form of Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code, will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) 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 Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Head & Shoulders Securities, Veda Capital, VMS Securities or their respective professional advisers. Independent Shareholders should consult their own professional advisers for professional advice.
- (j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text in case of inconsistency.

1. FINANCIAL SUMMARY

The following is a summary of the financial results of the Company for each of the three years ended 31 December 2012, 2013 and 2014 and the financial results of the Company for the six months ended 30 June 2015 as extracted from the annual reports of the Company for each of the two years ended 31 December 2013 and 2014 and the interim report for the six months ended 30 June 2015 in which: (i) a disclaimer opinion was issued by HLB Hodgson Impey Cheng Limited, the auditors of the Company, in respect of each of the three years ended 31 December 2012, 2013 and 2014; (ii) the results, assets and liabilities of all the subsidiaries of the Company were not included due to deconsolidation; (iii) no dividend was declared or paid by the Company; and (iv) save as disclosed above in relation to the disclaimer of audit opinion and deconsolidation of subsidiaries of the Company as more detailed in the following paragraphs, the Company had no exceptional items because of size, nature or incidence:

RESULTS	For the year ended 31 December			For the six
	2014	2013	2012	months ended
	RMB'000	RMB'000	RMB'000	30 June 2015
				RMB'000
Revenue	—	—	—	
Loss before tax	(2,622)	(3,445)	(22,569)	(1,568)
Income tax expense	—	—	—	—
Loss for the period	(2,622)	(3,445)	(22,569)	(1,568)
				—
Loss attributable to:				
Owners of the Company	(2,622)	(3,445)	(22,569)	(1,568)
Non-controlling interests	—	—	—	—
Loss per Share attributable to the Shareholders				
Basic	RMB(0.003)	RMB(0.003)	RMB(0.022)	RMB(0.002)
Diluted	RMB(0.003)	RMB(0.003)	RMB(0.022)	RMB(0.002)

The disclaimer of opinion for the year ended 31 December 2012 is made based on (a) opening balances and the comparative information; (b) authenticity of accounting records and de-consolidation of all subsidiaries; (c) incomplete books and records; (d) non-compliance with IFRSs and omission of disclosures; (e) bank balances and cash; (f) amount due to a subsidiary; (g) accrued expenses and other payables; (h) contingent liabilities and commitments; (i) share-based payments; (j) event after the reporting period; (k) related party transactions; and (l) going concern basis of accounting.

The disclaimer of opinion for the year ended 31 December 2013 is made based on (a) opening balances and the comparative information; (b) authenticity of accounting records and de-consolidation of all subsidiaries; (c) incomplete books and records; (d) non-compliance with IFRSs and omission of disclosures; (e) bank balances and cash; (f) amount

due to a subsidiary; (g) accrued expenses and other payables; (h) contingent liabilities and commitments; (i) share-based payments; (j) event after the reporting period; (k) related party transactions; and (l) going concern basis of accounting.

The disclaimer of opinion for the year ended 31 December 2014 is made based on (a) opening balances and the comparative information; (b) departure from IFRS 10 “Consolidated Financial Statements”; (c) amount due to a subsidiary; (d) accrued expenses and other payables; (e) contingent liabilities and commitments; and (f) going concern basis of accounting. Details of the disclaimer of opinion for the year ended 31 December 2014 were set out in section 2 below headed “Auditors’ Opinions”.

2. AUDITORS’ OPINIONS

The following reproduces the auditors’ opinion for the year ended 31 December 2014 in which the auditors expressed a disclaimer of opinion.

“Basis for Disclaimer of Opinion

a) Opening balances and the comparative information

The opening balances and the comparative figures disclosed in the financial statements are based on the audited financial statements of the Company for the year ended 31 December 2013 of which our auditors’ report dated 21 January 2016 expressed a disclaimer opinion. The matters which resulted in that disclaimer opinion included (a) authenticity of accounting records and de-consolidation of all subsidiaries; (b) incomplete books and records; (c) non-compliance with IFRSs and omission of disclosures; (d) bank balances and cash; (e) amount due to a subsidiary; (f) accrued expenses and other payables; (g) contingent liabilities and commitments; (h) share-based payments; (i) events after the reporting period; (j) related party transactions; and (k) going concern basis of accounting. Due to lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate audit evidence as to whether the opening balances as at 1 January 2014 and the comparative figures for the year ended 31 December 2013 were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including International Accounting Standard (“IAS”) 1 “Presentation of Financial Statements”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances and the comparative figures were free from material misstatement. Any adjustments to the opening balances as at 1 January 2014 that would be required may have a consequential significant effect on the Company’s assets and liabilities as at 1 January 2014 and 31 December 2014 and its results for the years ended 31 December 2013 and 2014, and the presentation and disclosure thereof in the financial statements.

b) Departure from IFRS 10 “Consolidated Financial Statements”

As disclosed in note 2.1 to the financial statements, the predecessor auditors of the Company (the “Predecessor Auditors”) identified certain potential irregularities in respect of certain accounting records and transactions recorded in the books of the

Company's indirectly wholly-owned subsidiaries incorporated in the People's Republic of China (the "PRC") namely, Da Qing Dairy Ltd. (大慶乳品廠有限責任公司), Heilongjiang Chang Qing Dairy Products Co., Ltd. (黑龍江常慶乳業有限責任公司) and Wuchang Benniu Muye Co., Ltd (五常犇牛牧業有限責任公司) (collectively referred as to the "PRC Subsidiaries"). The Predecessor Auditors subsequently resigned on 21 March 2012. As disclosed in note 2.1 to the financial statements of the Company, certain new directors were appointed following the change in controlling shareholder and it was announced on 6 November 2013 that a firm of forensic accounting specialists (the "Forensic Accountants") was appointed to investigate these potential irregularities (the "Forensic Investigation"). Both the Forensic Accountants and the directors of the Company have been unable to get access to the books and records of the PRC Subsidiaries. The directors of the Company have also been unable to locate the complete books and records of the Company and Global Milk Products Pte. Ltd which is the Company's directly wholly-owned subsidiary incorporated in the Republic of Singapore ("Global Milk"). The directors of the Company have further confirmed to us that the previous management of the Group did not respond to their request for any information of the the Company and its subsidiaries ("Group"). Furthermore, the Company resolved to put Global Milk into winding up in a shareholder's meeting held on 3 December 2015, subject to further legal advice.

Given these circumstances, the directors of the Company have not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no consolidated financial statements of the Company were prepared for the years ended 31 December 2013 and 2014.

The directors of the Company have determined to exclude the De-consolidated Subsidiaries in presenting the financial position, results of operations and cash flows and did not prepare consolidated financial statements for the Group under the above mentioned circumstances. The exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries and no consolidated financial statements have been prepared for the Group is a departure from the requirements of IFRS 10 "Consolidated Financial Statements".

Due to the lack of complete books and records of the De-consolidated Subsidiaries, we have been unable to obtain sufficient appropriate audit evidence and explanation to assess the accounting treatment on de-consolidation of the De-consolidated Subsidiaries and the resulting movement in the statutory surplus reserve. We are also unable to ascertain the impact of the potential irregularities with respect to the accounting records and transactions of the Group, if any, and the de-consolidation of the De-consolidated Subsidiaries on the financial statements of the Company. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 31 December 2014 and the loss attributable to equity holders of the Company for the year then ended.

c) Amount due to a subsidiary

As disclosed in note 19 to the financial statements, the Company recorded an amount due to a subsidiary of approximately RMB810,000. As further disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate the complete books and records of the Company and Global Milk and have been unable to get access to the books and records of the PRC Subsidiaries. Due to the lack of complete books and records of the Company, Global Milk and the PRC Subsidiaries, we have been unable to obtain sufficient appropriate audit evidence to determine whether the amount due to a subsidiary was properly recorded and accounted for and in compliance with the requirements of applicable IFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amount due to a subsidiary were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 31 December 2014 and loss attributable to the equity holders of the Company for the year then end.

d) Accrued expenses and other payables

As disclosed in notes 2.1 and 19 to the financial statements, included in the accrued expenses and other payables in the statement of financial position of the Company as at 31 December 2014 were other payables of approximately RMB14,127,000 among which (i) RMB10,540,000 were liabilities recognised in respect of the aggregate amounts of the debit balances of bank transactions as the directors of the Company were unable to locate the complete books and records of bank accounts and whereabouts of these bank balances and cash as of the date of approval of the financial statements; and (ii) RMB3,587,000 were other payables that the directors of the Company have been unable to locate relevant books and records. Due to the lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate audit evidence as to whether the accrued expenses and other payables were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the accrued expenses and other payables were free from material misstatements. Any adjustments that would be required may have a consequential significant effect on the balances of the Company's accrued expenses and other payables, the Company's net liabilities as at 31 December 2014 and consequently net loss and cash flows of the Company for the year ended 31 December 2014, and the related disclosures thereof in the financial statements.

e) Contingent liabilities and commitments

As disclosed in note 2.1 to the financial statements, due to the lack of complete books and records of the Company and the De-consolidated Subsidiaries, we have been unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Company were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including IAS 37 "Provisions, Contingent Liabilities and Contingent

Assets” and IAS 39 “Financial Instruments: Recognition and Measurement”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 31 December 2014 and the loss attributable to the equity holders for the year then ended and the related disclosures thereof in the financial statements.

f) Going concern basis of accounting

As explained in note 2.1 to the financial statements, in making their assessment of the Company’s ability to continue as a going concern, the directors of the Company have considered (i) the Company incurred a loss attributable to the owners of the Company of approximately RMB2,622,000 for the year ended 31 December 2014 and as of that date, the Company’s total liabilities exceeded its total assets by approximately RMB20,638,000; (ii) following de-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting other business; (iii) the Company has been placed in the second delisting stage as of the date of the financial statements; and (iv) as disclosed in note 2.1, the directors of the Company are unable to represent that all present and contingent liabilities or assets of the Company have been completely identified. Given these circumstances, which are more fully described in note 2.1, there were no practicable audit procedures that we could perform to form an opinion on whether management has considered all relevant events and conditions when making assessment on the Company’s ability to continue as a going concern.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of the Company’s loss and cash flows for the year then ended in accordance with IFRSs and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

3. FINANCIAL STATEMENTS

(A) FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEARS ENDED 2013 AND 2014

The following is the full text of the financial statements of the Company for the years ended 31 December 2013 and 2014:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue	5	—	—
Cost of sales		<u>—</u>	<u>—</u>
Gross profit		—	—
Administration expenses		(2,622)	(1,421)
Other suspense account	8	<u>—</u>	<u>(2,024)</u>
Loss before taxation	6	(2,622)	(3,445)
Income tax expenses	9	<u>—</u>	<u>—</u>
LOSS FOR THE YEAR		<u><u>(2,622)</u></u>	<u><u>(3,445)</u></u>
Other comprehensive income for the year, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating to presentation currency		<u>85</u>	<u>36</u>
Other comprehensive income for the year, net of income tax		<u><u>85</u></u>	<u><u>36</u></u>
Total comprehensive loss for the year		<u><u>(2,537)</u></u>	<u><u>(3,409)</u></u>
Loss for the year attributable to owners of the Company		<u><u>(2,622)</u></u>	<u><u>(3,445)</u></u>
Total comprehensive loss for the year attributable to owners of the Company		<u><u>(2,537)</u></u>	<u><u>(3,409)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted		<u><u>RMB(0.003)</u></u>	<u><u>RMB(0.003)</u></u>

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	12	429	498
Prepaid lease payments	13	—	—
Intangible assets	14	—	—
Deferred tax assets	15	—	—
		<u>429</u>	<u>498</u>
Current assets			
Inventories	16	—	—
Prepayments and deposits paid	17	500	466
Prepaid lease payments	13	—	—
Bank balances and cash	18	58	51
		<u>558</u>	<u>517</u>
Current liabilities			
Accrued expenses and other payables	19	21,625	19,116
		<u>21,625</u>	<u>19,116</u>
Net current liabilities			
		<u>(21,067)</u>	<u>(18,599)</u>
Total assets less current liabilities			
		<u>(20,638)</u>	<u>(18,101)</u>
Capital and reserves			
Share capital	21	9	9
Reserves		(20,647)	(18,110)
		<u>(20,638)</u>	<u>(18,101)</u>
Non-current liabilities			
Deferred tax liabilities	14	—	—
Borrowings	20	—	—
		<u>—</u>	<u>—</u>
		<u>(20,638)</u>	<u>(18,101)</u>

The financial statements on pages 46 to 131 were approved and authorised for issue by the board of directors on 21 January 2016 and are signed on its behalf by:

Kou Mei In
Director

Ng Kwong Chue Paul
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	9	1,142,805	21,216	—	(1,178,722)	(14,692)
Loss for the year	—	—	—	—	(3,445)	(3,445)
Other comprehensive income/(loss)						
Exchange difference on translating to presentation currency	—	—	—	36	—	36
Total comprehensive income/(loss) for the year	—	—	—	36	(3,445)	(3,409)
Lapsed of the share options	—	—	(10,608)	—	10,608	—
At 31 December 2013 and 1 January 2014	9	1,142,805	10,608	36	(1,171,559)	(18,101)
Loss for the year	—	—	—	—	(2,622)	(2,622)
Other comprehensive income/(loss)						
Exchange difference on translating to presentation currency	—	—	—	85	—	85
Total comprehensive income/(loss) for the year	—	—	—	85	(2,622)	(2,537)
Lapsed of the share options	—	—	(10,608)	—	10,608	—
At 31 December 2014	9	1,142,805	—	121	(1,163,573)	(20,638)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities		
Loss before taxation	(2,622)	(3,445)
Adjustments for:		
Depreciation	110	15
Other suspense account	<u>—</u>	<u>2,024</u>
Operating cash flows before movements in working capital	(2,512)	(1,406)
Increase in amount due to a related company	1,880	1,478
Increase in prepayment and deposits paid	(34)	(466)
Increase in accrued expenses and other payables	<u>714</u>	<u>545</u>
Cash generated from operations	48	151
Income tax paid	<u>—</u>	<u>—</u>
Net cash generated from operating activities	<u>48</u>	<u>151</u>
Investing activity		
Purchase of property, plant and equipment	<u>(41)</u>	<u>(513)</u>
Net cash used in investing activity	<u>(41)</u>	<u>(513)</u>
Net increase (decrease) in cash and cash equivalents	7	(362)
Cash and cash equivalents at beginning of the year	51	390
Effect of exchange rate for converting the bank balances and cash held in foreign currencies	<u>—</u>	<u>23</u>
Cash and cash equivalents at ending of the year	<u><u>58</u></u>	<u><u>51</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

Daqing Dairy Holdings Limited (the “Company”) is a limited company incorporated in the Cayman Islands on 15 October 2009.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 2512, 25/F., COSCO Tower, 183 Queen’s Road Central, Hong Kong.

The financial statements of the Company are presented in Renminbi (“RMB”).

The Company acts as an investment holding company.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 October 2010 (the “Listing”). Trading in the shares of the Company has been suspended since 22 March 2012.

2.1 BASIS OF PREPARATION

The financial statements as at and for the year ended 31 December 2014 comprise the Company.

As disclosed in the Company’s announcement dated 29 March 2012, during the audit process in respect of the financial year ended 31 December 2011, irregularities were identified by Deloitte Touche Tohmatsu, the predecessor auditors of the Company (the “Predecessor Auditors”) that (i) certain milk procurement transactions brought to the attention of management and acknowledged by them to be fraudulent; (ii) unexplained differences between sales receipt notes sighted during the Predecessor Auditors’ works in February 2012 and documents purporting to be the same sales receipt notes returned to the Company in March 2012 ostensibly following a Tax Bureau investigation; (iii) the explanation provided by management-The Tax Bureau investigation-for removing accounting records which were then not available to the Predecessor Auditors continuously during the audit; (iv) the validity and commercial substance of acquisitions of milk stations, farm houses and Holstein cattle; and (v) difficulties the Predecessor Auditors encountered during their visits to the local branch of one of the banks of the Company and was subsidiaries (the “Group”) (collectively referred as to the “Potential Irregularities”). The Predecessor Auditors tendered its resignation as auditors of the Company with effect from 21 March 2012 and the Company applied for suspension of trading in the shares on the Main Board of the Stock Exchange on 22 March 2012.

It was further disclosed in the Company’s announcement dated 29 March 2012 that an independent review committee comprised of the independent non-executive directors at that material time and other qualified independent individuals has been established to conduct a review on the Potential Irregularities raised by the Predecessor Auditors.

As disclosed in the Company’s announcements dated 18 May 2012 and 20 June 2012, during May and June 2012, those independent non-executive directors at that material time forming the independent review committee tendered their resignation as the independent non-executive directors of the Company.

As disclosed in the Company’s announcement dated 9 January 2013, on 2 January 2013, it was discovered that the heating pipes of the offices of a subsidiary, Da Qing Dairy Ltd. (大慶乳品廠有限責任公司) (“Da Qing Dairy”), located in Daqing City, Heilongjiang Province of the People’s Republic of China (“PRC”), were cracked as result of severe coldness in the northern area of the PRC and pipeline aging. Due to cracking of the

heating pipes, the first and the second floors of the offices had been soaked, and extensive damages were caused to the office facilities, computers and documents in the office of finance, logistics, administration and engineering departments of the Group (collectively referred to as the “Incident”).

As disclosed in the Company’s announcement dated 18 April 2013, on 8 February 2013, Mr. Zhao Yu, then controlling shareholder of the Company at that material time, entered into a sale and purchase agreement pursuant to which Mr. Zhao agreed to sell and Radiant State Limited (the “New Controlling Shareholder”) agreed to purchase the sale shares, representing 52.16% of the entire share capital of the Company at a consideration of HK\$52,704,000 in cash, representing HK\$0.1 per sale share (collectively referred to as the “Purchase”).

As disclosed in the Company’s announcement dated 5 July 2013, the New Controlling Shareholders received valid acceptances in respect of a total 83,153,622 shares in the Company under the unconditional mandatory cash offer (the “Share Acceptance”), representing 8.23% of the entire issued share capital of the Company. Following completion of the Purchase and the Share Acceptance, the New Controlling Shareholder held 60.39% equity interest in the Company.

As disclosed in the Company announcement dated 5 September 2013, Mr. Ng Kwong Chue Paul was appointed as executive director of the Company, Ms. Kou Mei In was appointed as non-executive director of the Company and Mr. Sze Lin Tang was appointed as an independent non-executive director of the Company (the “New Management”).

As disclosed in the Company’s announcement dated 6 November 2013, the Company engaged RSM Corporate Advisory (Hong Kong) Limited (formerly known as “RSM Nelson Wheeler Corporate Advisory Limited”) (the “Forensic Accountants”) to carry out forensic investigation in respect of the Potential Irregularities (the “Forensic Investigation”). It was further disclosed in the Company’s announcements dated 29 January 2014, 4 April 2014, 13 June 2014, 5 September 2014, 28 November 2014 and 30 April 2015 that (1) the Forensic Accountants were yet to commence their field work as the Company and the Forensic Accountants have encountered difficulties in procuring relevant parties including the previous management of the Group to cooperate in the field work of the Forensic Investigation; (2) two PRC law firms were engaged with the objectives to (i) effect the change of legal representatives and board of directors of Da Qing Dairy, Heilongjiang Chang Qing Dairy Products Co., Ltd. (黑龍江常慶乳業有限責任公司) (“Chang Qing Dairy”) and Wuchang Benniu Muye Co., Limited (五常犇牛牧業有限責任公司) (“Benniu Muye”) (collectively referred as to the “PRC Subsidiaries”) through legal means; and (ii) obtain information requested by the Forensic Accountants; and (3) the contemplate change of respective legal representatives of the PRC Subsidiaries could not be effected and due to insufficient financial resources of the Company, the Forensic Investigation has been temporarily halted.

In addition, the New Controlling Shareholder appointed two individuals into the board of directors of its wholly-owned subsidiary, Global Milk Products Pte. Ltd, which is incorporated in the Republic of Singapore (“Global Milk”). However, the directors of the Company could not locate the complete books and records of the Company and Global Milk and the previous management of the Company and Global Milk have continued ignoring the request for any information. Subsequently in the shareholders meeting of Global Milk held on 3 December 2015, the Company resolved to put Global Milk into winding up, subject to further advice from legal advisors.

Given the circumstances that the directors of the Company have been unable to locate the complete books and records of the Company and Global Milk and to get access to the books and records of the PRC Subsidiaries and in the absence of the Group’s previous management to explain and validate the true state of the affairs of the Company at 31 December 2011, 2012 and 2013, it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of 31 December 2011, 2012 and 2013 for the Company or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the years and various balances of the Company, Global Milk and the PRC Subsidiaries as at 31 December 2011, 2012 and 2013. In the Company’s board of directors (the “Board”)’ opinion, any reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be

unreliable due to their connections with the Group's previous management or those responsible for the financial information which the Predecessor Auditors identified the Potential Irregularities within and outside of the Group.

As of the date of the financial statements of the Company, the directors of the Company have used its best effort, to the extent commercially practicable, to reconstruct the accounting records of the Company, Global Milk and the PRC Subsidiaries for the years ended 31 December 2011, 2012 and 2013 applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. However, given substantial portion of the books and records could not be located or accessed and the previous management of the Group did not response to the New Management's request, the Board believes that as at the date of approval of the financial statements, it is impossible and impractical to ascertain the transactions and balances of the Company, Global Milk and the PRC Subsidiaries for inclusion in the financial statements of the Company for the years ended 31 December 2011, 2012 and 2013. Also, due to substantial portion of the books and records of the Group for the previous years could not either be located or accessed, the Board believes that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group or financial statements of the Company for the previous years. Accordingly, the comparative financial information disclosed in the financial statements only represents such information as reported in the financial statements of the Company for the year ended 31 December 2013 and therefore may not be comparable with the figures for the current year.

Given these circumstances, the Board has not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no consolidated financial statements of the Company were prepared since the year ended 31 December 2011. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included into the financial statements of the Company since 1 January 2011. The resulting loss on de-consolidation of approximately RMB1,583,093,000, which is determined based on the net asset value of the De-consolidated Subsidiaries as at 1 January 2011 has been recognised in the statement of profit or loss and other comprehensive income during the year ended 31 December 2011 and the resulting movement of approximately RMB55,946,000 has been recorded in the statutory surplus reserve in the statement of changes in equity for the year ended 31 December 2011.

In the opinion of the directors of the Company, the financial statements as at and for the year ended 31 December 2014 prepared on the aforementioned basis is the most appropriate way of presenting the results and state of affairs of the Company as the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the De-consolidated Subsidiaries. However, the de-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Financial Reporting Standard ("IFRS") 10 "Consolidated Financial Statements". Given the abovementioned circumstances, the directors of the Company are unable to ascertain the impact of the Potential Irregularities with respect to the accounting records and transactions of the De-consolidated Subsidiaries, if any, and the de-consolidation of the De-consolidated Subsidiaries on the financial statements.

Due to limited books of accounts and records available to the directors of the Company, the following disclosures have not been made in the financial statements for the year ended 31 December 2013:

- Details of the credit policy and aging of debtors and creditors as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules");
- Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and IFRSs;
- Details of allowance account for credit losses, financial risk management and fair value disclosure as required by IFRS 7, Financial Instruments - Disclosures; and
- Entity-wide disclosures as required by IFRS 8, "Operating Segments".

Any adjustments arising from the matters described above would have a consequential significant effect on the net loss of the Company for the year ended 31 December 2013 and net liabilities of the Company as at 31 December 2013.

Due to the limited financial information available and the previous management of the Group did not response to the New Management's request, the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the genuineness and completeness of books and records and the treatment of various balances as included in the financial statements for the year ended 31 December 2013 and have formed the opinion as follows:

As the financial statements for the year ended 31 December 2013 have been prepared based on the lack of books and records available to the Company, the directors of the Company are unable to represent that all transactions entered into by the Company for the year ended 31 December 2013 have been properly reflected in the financial statements. In this connection, the directors of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of revenue and segment information in note 5, loss before taxation in note 6, directors' and employees' emoluments in note 7, income tax expenses in note 9, dividends in note 10, loss per share in note 11, property, plant and equipment in note 12, prepaid lease payments in note 13, intangible assets in note 14, deferred tax assets/(liabilities) in note 15, inventories in note 16, prepayments and deposits paid in note 17, bank balances and cash in note 18, accrued expenses and other payables in note 19, borrowings in note 20, share-based payments in note 22, retirement benefit plans in note 25, related party transactions in note 26, commitments in note 27 and contingent liabilities in note 28.

As per assessment by the Board, based on the investigations carried out by the Forensic Accountants and the information available at this stage, all identified, required adjustments have been put through in the financial statements for the year ended 31 December 2013. Since the investigations may be on-going, any further adjustments and disclosures, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified, and would have a consequential effect on the net loss of the Company for the year ended 31 December 2013 and net liabilities of the Company as at 31 December 2013.

During the year ended 31 December 2014, the Company incurred loss of approximately RMB2,622,000. In addition, following de-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting other business. It was further disclosed in the Company's announcements dated 19 May 2015 and 23 November 2015 respectively that the Stock Exchange has placed the Company in the first delisting stage on 14 May 2015 and subsequently placed in the second delisting stage on 19 November 2015 pursuant to Practice Note 17 of the Listing Rules. The directors of the Company have also been unable to represent that all present and contingent liabilities of the Company have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant effect on the Company's ability to continue as a going concern.

As disclosed in the Company's announcement dated 23 June 2015, on 4 May 2015, the New Controlling Shareholder entered into a sale and purchase agreement with Global Courage Limited ("Global Courage") pursuant to which the New Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing of approximately 60.39% of the entire share capital of the Company at a consideration of approximately HK\$61,019,000, representing HK\$0.1 per sale share.

Given the circumstance that there exists potential new shareholder to invest in the Company, the directors of the Company have adopted the going concern basis in the preparation of the financial statements.

Should the Company be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the financial statements.

2.2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Changes in accounting policy and disclosures

The Company has adopted the following new and revised IFRSs for the first time for the current year’s financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Other than explained below regarding the impact of (state the applicable standards), the adoption of the revised standards has had no significant effect on these financial statements.

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Company. Disclosures about the Company’s impaired non-financial assets are included in the financial statements.

Issued but not yet effective International Financial Reporting Standards

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements:

IFRS 9 (2014)	Financial Instruments ⁵
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
IFRS 14	Regulatory Deferral Accounts ⁶
IFRS 15	Revenue from Contracts with Customers ⁴
IFRS 16	Lease ⁷
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ³
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits — Defined Benefit Plan: Employee Contributions ¹
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements ³
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to IAS 1	Disclosure Initiative ³
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued ¹
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued ¹
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs ³

- ¹ Effective for annual periods beginning on or after 1 July 2014
- ² Effective for annual periods beginning on or after 1 January 2015
- ³ Effective for annual periods beginning on or after 1 January 2016
- ⁴ Effective for annual periods beginning on or after 1 January 2017. In July 2015, the IASB confirmed to delay the effective date by one year to 1 January 2018
- ⁵ Effective for annual periods beginning on or after 1 January 2018
- ⁶ 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 Company
- ⁷ Effective for annual periods beginning on or after 1 January 2019

Further information about those changes that are expected to significantly affect the Company is as follows:

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of IFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities.

Regarding the Company's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Company expects to adopt IFRS 9 from 1 January 2015. The Company will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 Company expects to adopt the amendments from 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — Investment Entities:

The amendments to IFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Company expects that these amendments will not have any impact on the Company as the Company is not an investment entity as defined in IFRS 10.

IFRS 15: Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to IAS 16 and IAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company uses straight-line method for depreciation of property, plant and equipment and for amortization of intangible assets, the directors of the Company do not anticipate that the application of the amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

Amendments to IAS 1: Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to IAS 1 in the future may have a material impact on the disclosures made in the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost basis as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The financial statements include the financial statements of the Company made up to 31 December 2014.

(b) Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments

against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and legal title is passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(e) Foreign currencies*(i) Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in RMB, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'.

(f) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(j) Prepaid lease payments

Prepaid lease payments represent payments for leasehold land and are released over the lease terms on a straight-line basis. Prepaid lease payments which are to be released in the next twelve months or less are classified as current assets.

(k) Intangible assets***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

*Intangible assets acquired in a business combination**Trademarks*

Trademarks acquired in a business combination are identified and recognised separately from goodwill where it satisfies the definition of an intangible asset and its fair values can be measured reliably. The costs of trademarks are their fair value at the acquisition date. Subsequent to initial recognition, intangible asset with finite useful life are carried at cost less accumulated amortisation and any accumulated impairment loss. The intangible asset will be amortised on a straight-line basis over its useful lives.

Gains and losses arising from derecognition of an intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in profit or loss when the asset is derecognised.

(I) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit

to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverse, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(n) Related parties

A party is considered to be related to the Company 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 Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company 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 Company 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 Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in note; 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).

(o) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Company's financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including prepayments and deposits paid and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial assets and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

The financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as prepayments and deposits paid, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's

past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of prepayments and deposits paid, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including accruals and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis and is included in finance costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCE OF ESTIMATION

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the 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.

(a) Estimated impairment loss in respect of prepayments and deposits paid

As explained in note 3, prepayments and deposits paid are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The identification of bad and doubtful debts requires the use of judgement and estimates of expected future cash inflows. Where the expectation is different from the original estimate, such difference will impact carrying value of prepayments and deposits paid and recognised as doubtful debts expenses in the year in which such estimate has been changed. The directors of the Company are satisfied that this risk is minimal and no allowance for doubtful debts was provided during the year ended 31 December 2014 (2013: RMBNil). The carrying amount of prepayments and deposits paid as at 31 December 2014 was approximately RMBNil (2013: RMBNil).

(b) Useful life and residual value property, plant and equipment

The management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions and may vary significantly as a result of technical innovation and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated. The carrying amount of property, plant and equipment as at 31 December 2014 was approximately RMB429,000 (2013: RMB498,000).

5. REVENUE AND SEGMENT INFORMATION

No revenue and segment information were presented as the Company did not carry business during the year.

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, the directors of the Company believe that it is impossible, and not practicable, to ascertain the completeness, existence and accuracy of the amounts of revenue and segment information of the Company for the year ended 31 December 2013. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the revenue and segment information as of the date of approval of the financial statements.

6. LOSS BEFORE TAXATION

The Company's loss before tax is arrived at after charging the amounts as set out below.

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loss before taxation has been arrived at after charging:			
Staff costs (including directors' emoluments):			
— Salaries and wages		—	—
— Retirement benefit scheme contributions		—	—
		<u>—</u>	<u>—</u>
Depreciation of property, plant and equipment	<i>12</i>	<u>110</u>	<u>15</u>
Auditors' remuneration		<u>317</u>	<u>638</u>
Operating lease rental expenses		<u>637</u>	<u>181</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of those expenses for the year ended 31 December 2013 as of the date of approval of the financial statements.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to directors of the Company are as follows:

	Year ended 31 December 2014			
	Directors' Fees <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Other emoluments <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
— Mr. Wang Delin, “Mr. Wang” <i>(note iii)</i>	—	—	—	—
— Mr. Ng Kwong Chue Paul, “Mr. Ng” <i>(note vii)</i>	—	—	—	—
Non-executive director:				
— Ms. Kou Mei In, “Ms. Kou” <i>(note viii)</i>	—	—	—	—
Independent non-executive directors:				
— Mr. Sze Lin Tang, “Mr. Sze” <i>(note ix)</i>	—	—	—	—
— Mr. Qiu Xiaohua, “Mr. Qiu” <i>(note x)</i>	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Details of the emoluments paid or payable to directors of the Company are as follows:

	Year ended 31 December 2013			
	Directors' Fees	Retirement benefit scheme contributions	Other emoluments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
— Mr. Zhao Chuan Wen, “Mr. Zhao CW” (note i)	—	—	—	—
— Mr. Zhao Yu “Mr. Zhao” (note ii)	—	—	—	—
— Mr. Wang (note iii)	—	—	—	—
— Mr. Xia Yuan Jun, “Mr. Xia” (note iv)	—	—	—	—
— Mr. Fong Pin Jan, “Mr. Fong” (note v)	—	—	—	—
— Mr. Ng (note vii)	—	—	—	—
Non-executive director:				
— Ms. Kou (note viii)	—	—	—	—
Independent non-executive directors:				
— Mr. Chiang Chi Kin Stephen, “Mr. Chiang” (note vi)	—	—	—	—
— Mr. Sze (note ix)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the Company's directors' remuneration for the year ended 31 December 2013 as of the date of approval of the financial statements.

During the year ended 31 December 2014, no remuneration was paid by the Company to the directors of the Company as an inducement to join or upon joining the Company or as compensation for loss of office (2013: RMB Nil).

Notes:

- i) Mr. Zhao CW was appointed as executive director and chairman with effect from 10 October 2010. Mr. Zhao CW resigned as chairman with effect from 18 August 2011. Mr. Zhao CW resigned as executive director with effect from 21 January 2014.
- ii) Mr. Zhao resigned as chief executive officer and was appointed as chairman with effect from 18 August 2011. Mr. Zhao resigned as executive director and chairman with effect from 10 January 2014.

- iii) Mr. Wang was appointed as executive director and chief executive officer with effect from 18 August 2011.
- iv) Mr. Xia was appointed as executive director and deputy executive officer with effect from 10 October 2010. Mr. Xia resigned as executive director and deputy executive officer with effect from 3 January 2014.
- v) Mr. Fong was appointed as executive director and chief financial officer with effect from 10 October 2010. Mr. Fong resigned as executive director and chief financial officer with effect from 10 January 2014.
- vi) Mr. Chiang was appointed as independent non-executive director with effect from 28 November 2013. Mr. Chiang resigned as independent non-executive director with effect from 31 December 2014.
- vii) Mr. Ng was appointed as executive director with effect from 5 September 2013.
- viii) Ms. Kou was appointed as non-executive director with effect from 5 September 2013.
- ix) Mr. Sze was appointed as independent non-executive director with effect from 5 September 2013.
- x) Mr. Qiu was appointed as independent non-executive director with effect from 1 January 2014.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Company, none were directors of the Company for the year ended 31 December 2014 (2013: none were directors of the Company), details of whose emoluments are included in the disclosures above.

The emoluments of the individual during the year ended 31 December 2014 (2013: None) were as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries and allowances	—	—
Retirement benefit scheme contributions	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

During the years ended 31 December 2014 and 31 December 2013, the emoluments of each of the five highest paid individuals were within RMB1,000,000.

During the year ended 31 December 2014, no remuneration was paid by the Company to any of the five individuals with the highest emoluments in the Company as an inducement to join or upon joining the Company or as compensation for loss of office (2013: RMB Nil).

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the current and the previous

years. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the disclosures on individuals with highest emoluments as of the date of approval of the financial statements.

8. OTHER SUSPENSE ACCOUNT

As disclosed in notes 2.1 and 18 to these financial statements, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. The other suspense account represents loss recognised in respect of the aggregate amounts of the credit balances of bank transactions of which the directors of the Company have been unable to locate relevant books and records during the year ended 31 December 2013. Given the incomplete books and records and the previous management of the Group did not respond to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the disclosures and loss recognised as other suspense account for the year ended 31 December 2013 as of the date of approval of the financial statements.

9. INCOME TAX EXPENSES

Hong Kong Profits Tax rate was 16.5% (2013: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company did not have any assessable profit arising in Hong Kong for the year.

The income tax expenses can be reconciled to the loss before taxation per the statement of comprehensive income as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loss before taxation	<u>(2,622)</u>	<u>(3,445)</u>
Tax at the Hong Kong tax rates	(433)	(568)
Effect of unrecognised deductible losses and deductible temporary differences	<u>433</u>	<u>568</u>
	<u>—</u>	<u>—</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not respond to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness and accuracy of the income tax expenses for the year ended 31 December 2013 as of the date of approval the financial statements.

10. DIVIDENDS

No dividend has been paid or proposed by the Company during the year ended 31 December 2014 (2013: RMB Nil).

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. Given the incomplete books and records and the previous management of the Group did not respond to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness and accuracy of the dividend for the year ended 31 December 2013 as of the date of approval of the financial statements.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(2,622)</u>	<u>(3,445)</u>
Number of shares	2014	2013
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,010,500,000</u>	<u>1,010,500,000</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain amounts for the previous years. No representation is therefore made by the directors of the Company as to the accuracy of the loss per share of the Company for the year ended 31 December 2013 as of the date of approval of the financial statements.

The computation of diluted loss per share for the years ended 31 December 2013 and 2014 does not assume the conversion of the Company's outstanding share option since their exercise would result in a decrease in the loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST						
As at 1 January 2013	—	—	—	—	—	—
Additions	463	—	50	—	—	513
As at 31 December 2013 and 1 January 2014	463	—	50	—	—	513
Additions	2	—	37	—	—	39
Exchange alignment	2	—	—	—	—	2
As at 31 December 2014	467	—	87	—	—	554
ACCUMULATED DEPRECIATION						
As at 1 January 2013	—	—	—	—	—	—
Charged for the year	14	—	1	—	—	15
As at 31 December 2013 and 1 January 2014	14	—	1	—	—	15
Charged for the year	93	—	17	—	—	110
As at 31 December 2014	107	—	18	—	—	125
NET BOOK VALUES						
As at 31 December 2014	360	—	69	—	—	429
As at 31 December 2013	449	—	49	—	—	498

The above items of property, plant and equipment, other than construction in progress, after taking into account of their estimate residual values, are depreciated on a straight-line basis at the following rates per annum:

Buildings	20 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	8 years
Leasehold improvement	5 years

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the property, plant and equipment of the Company for the year ended 31 December 2013 as of the date of approval of the financial statements.

13. PREPAID LEASE PAYMENTS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Analysed for reporting purpose as:		
— Non-current assets	—	—
— Current assets	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the prepaid lease payments of the Company for the year ended 31 December 2013 as of the date of approval of the financial statements.

14. INTANGIBLE ASSETS

	Trademarks <i>RMB'000</i>
COST	
As at 1 January 2013	—
Additions	<u>—</u>
As at 31 December 2013 and 1 January 2014	—
Additions	<u>—</u>
As at 31 December 2014	<u>—</u>
AMORTISATION	
As at 1 January 2013	—
Charged for the year	<u>—</u>
As at 31 December 2013 and 1 January 2014	—
Charged for the year	<u>—</u>
As at 31 December 2014	<u>—</u>
CARRYING VALUES	
As at 31 December 2014	<u>—</u>
As at 31 December 2013	<u>—</u>

The amounts were amortised on a straight-line basis over a period of 10 years.

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of

the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the intangible assets of the Company for the year ended 31 December 2013 as of the date of approval of the financial statements.

15. DEFERRED TAX ASSETS AND LIABILITIES

The following are the Company's major deferred tax assets (liabilities) recognised and the movements thereon, during the current and prior years:

	Timing difference on expenses recognition RMB'000	Fair value adjustments on acquisition RMB'000	Withholding tax on undistributed dividend RMB'000	Total RMB'000
As at 1 January 2013	—	—	—	—
Charge/(credit) to profit or loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 31 December 2013 and as at 1 January 2014	—	—	—	—
Charge/(credit) to profit or loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 31 December 2014	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to completeness and the accuracy of the deferred tax assets/(liabilities) of the Company for the year ended 31 December 2013 as of the date of approval of the financial statements.

16. INVENTORIES

	2014 RMB'000	2013 RMB'000
Inventories	<u>—</u>	<u>—</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to completeness and the accuracy of the inventories for the year ended 31 December 2013 as of the date of approval of the financial statements.

17. PREPAYMENTS AND DEPOSITS PAID

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	307	274
Deposits paid	<u>193</u>	<u>192</u>
	<u>500</u>	<u>466</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No presentation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the prepayment and deposits paid of the Company, and perform a detailed analysis of the Company's prepayment and deposits paid aging, credit policy and impairment assessment for the year ended 31 December 2013 as of the date of approval of the financial statements.

18. BANK BALANCES AND CASH

As at 31 December 2014, the Company's bank balances carry market interest rate of 0.05% per annum (2013: 0.08% per annum).

The Company's bank balances and cash denominated in the following currencies:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Currency:		
United States Dollars	<u>37</u>	<u>37</u>
HK\$	<u>21</u>	<u>14</u>

The Company's bank balances and cash denominated in RMB are not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

As disclosed in note 32 of the Group's consolidated financial statements for the year ended 31 December 2010 (the "2010 Financial Statements"), a bank balances and cash amounted to approximately RMB11,523,000 was recorded on the statement of financial position of the Company at 31 December 2010. Except for bank balances of approximately RMB3,000, the directors of the Company have been unable to locate the bank accounts and whereabouts of the bank balances and cash. The Company engaged the Forensic Accountants to conduct investigations, including (i) send letters to the Predecessor Auditors to request them provide the relevant bank information; and (ii) send letters to banks in Hong Kong (including licensed banks, restricted licensed banks and deposit-taking companies) (collectively referred as to the "Banks") to make enquiry on whether the Company maintained any bank accounts in the Banks. However, as of the date of approval of the financial statements, the Predecessor Auditors only replied that the relevant information was not available as it was located in their PRC office. In addition, no Banks has indicated the existence of any bank accounts of the Company up to the date of these financial statements. Given these circumstances, the directors of the Company recognised a loss of approximately RMB11,520,000 as other suspense accounts in the statements of profit or loss and other comprehensive income for the year ended 31 December 2011.

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to books and records of the Company, including books and records of certain bank transactions of the Company took place for the previous years. Given incomplete books and records of the Company and the Company's previous management did not response to the request for information, it would be impossible and impracticable to ascertain these bank transactions which took place for the previous years and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of the bank transactions. Given these circumstances, the directors of the Company have recognised (i) losses of approximately HK\$10,543,000 (equivalent to approximately RMB8,569,000) and HK\$2,538,000 (equivalent to approximately RMB2,024,000) in respect of the aggregate amounts of the credit balances of bank transactions took place during the year ended 31 December 2012 and 2013 respectively as other suspense accounts in the statements of profit or loss and other comprehensive income for the year ended 31 December 2012 and 2013 respectively; and (ii) liabilities of approximately HK\$13,142,000 (equivalent to approximately RMB10,641,000) in respect of the aggregate amounts of the debit balances of bank transactions took place during the year ended 31 December 2012 and 2013 respectively as other payables in the statements of financial position as at 31 December 2013.

No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the bank balances and cash transactions for the year ended 31 December 2013 as of the date of approval of the financial statements.

19. ACCRUED EXPENSES AND OTHER PAYABLES

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses	3,325	2,611
Amount due to a subsidiary	810	810
Amount due to a related party	3,363	1,478
Other payables	<u>14,127</u>	<u>14,217</u>
	<u>21,625</u>	<u>19,116</u>

As disclosed in notes 2.1 and 18 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries. In addition, the directors of the Company have been unable to locate books and records of certain bank transactions took place for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it would be impossible and impracticable to ascertain these bank transactions took place for the years ended 2011, 2012 and 2013. It would also be extremely difficult and time consuming to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of these bank transactions. Given these circumstances, the directors of the Company have recognised (i) liabilities of approximately HK\$13,142,000 (equivalent to approximately RMB10,540,000) in respect of the aggregate amounts of the debit balances of bank transactions took place for the years ended 31 December 2012 and 2013; and (ii) liabilities of approximately 3,587,000 in respect of the directors of the Company have been unable to locate relevant books and records in the statements of financial position as other payables as at 31 December 2013.

As further disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances of the amount due to a subsidiary and other payables for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of accrued expenses and other payables for the year ended 31 December 2013 as of the date of approval of the financial statements.

Amount due to a related party was interest-free and repayable on demand.

20. BORROWINGS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Bank borrowings		
— Unsecured	<u>—</u>	<u>—</u>

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the borrowings for the year ended 31 December 2013 as of the date of approval of the financial statements.

21. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares		
Authorised:		
As at 31 December 2013 and 31 December 2014 (HK\$0.00001 each)	<u>38,000,000,000</u>	<u>380</u>

	Number of shares	Share capital <i>HK\$'000</i>	<i>RMB'000</i>
Issued:			
As at 31 December 2013 and 31 December 2014	<u>1,010,500,000</u>	<u>10</u>	<u>9</u>

22. SHARE-BASED PAYMENTS

As set out in note 16 to the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 which were authorised for issue on 18 August 2011 (the “2011 Interim Report”), the Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 10 October 2010 for the purpose to reward the directors and employees who have contributed to the Group and to encourage the directors and employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on 9 October 2020. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme of the Company shall not, in the absence of shareholders’ approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the listing date.

The maximum number of shares issued and to be issued upon exercise of the options granted to each grantee under the Scheme in any 12-month period shall not exceed 1% of the shares in issue for the time being.

Where any further grant of options to a director or employee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders in general meeting with such director or employee and his associates abstaining from voting. The Company must send a circular to the shareholders disclosing the identity of the director or employee in question, the number and terms of the options to be granted (and options previously granted to such director or employee) and such other information required under the Listing Rules.

At any time, the maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Scheme shall not in aggregate exceed 30% of the shares in issue from time to time.

As disclosed in the Company's announcement dated 28 April 2011 and the 2011 Interim Report, the Company granted to eligible directors and employees ("Grantees") 27,000,000 share options (the "Share Options") to subscribe for ordinary shares of HK\$0.00001 each in the Company, at an exercise price of HK\$3.512 per share. The Share Options vested on 28 October 2012 and the exercisable period of the Share Options was from 28 October 2012 to 27 October 2014.

The closing price of the Company's shares immediately before 28 April 2011, the date of grant, was HK\$3.15 per share.

Pursuant to the monthly returns on equity issuer on movements in securities submitted by the Company dated 4 February 2013 and 5 November 2014, 12,000,000 and 12,000,000 share options have been lapsed up to January 2013 and October 2014 respectively. Details of the movement of the Share Options during the current and the previous years and the outstanding number of share options balance as at 31 December 2014 are as follows:

	Number of share options
Balance as at 1 January 2013	24,000,000
Lapsed of share options	<u>(12,000,000)</u>
Balance as at 31 December 2013 and 1 January 2014	12,000,000
Lapsed of share options	<u>(12,000,000)</u>
Balance as at 31 December 2014	<u><u>—</u></u>

As further disclosed in the 2011, the total fair values of the options determined at the date of grant using the Binomial model were HK\$28,701,000 (equivalent to RMB23,868,000). The following assumptions were used to calculate the fair value of share options:

	28 April 2011
Grant date share price	HK\$3.15
Exercise price	HK\$3.512
Expected volatility	50%
Dividend yield	0%
Risk-free interest rate	1.2%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the Share Options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

As disclosed in the Company's monthly return dated 5 November 2014, 12,000,000 share options have been lapsed and the Company transferred the balances of the share option reserve of approximately RMB10,608,000 (2013: RMB10,608,000) to accumulated loss in the statement of changes in equity.

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years including the Scheme, books and records relating to the Share Options and the details of the fair value assessment underlying the Share Options. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the share-based payments transaction for the year ended 31 December 2013 as of the date of approval of the financial statements.

23. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014
	<i>RMB'000</i>
Financial assets	
Loan and receivables (including bank balances and cash)	<u>193</u>
Financial liabilities	
Amortised cost	<u>21,625</u>

(b) Financial risk management objective and policies

The Company's major financial instruments include deposits paid, bank balances and cash and accrued expenses and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Company's risk exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Foreign currency risk

The Company operates in Hong Kong. There is no material foreign exchange risk noted for the Company as the operations and customers of the Company are located in Hong Kong with most of the assets and transactions denominated and settled in Hong Kong Dollars, which is the functional currency of the Company.

Liquidity risk management

The Company manages liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended credit lines of funding from major financial institutions to meet the Company's liquidity requirements in the short and long term. The liquidity risk is under continuous monitoring by management. The Company will raise or refinance bank borrowings whenever necessary.

At the end of the reporting period, the Company did not have significant exposure to liquidity risk.

The contractual maturities at the end of the reporting period of the Company's financial liabilities which are required to be repaid on demand or within one year amounted to RMB21,625,000.

The following tables detail the Company's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest dates on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2014						
Non-derivative instruments						
Accrued expenses	—	3,325	—	—	3,325	3,325
Amount due to a subsidiary	—	810	—	—	810	810
Amount due to a related party	—	3,363	—	—	3,363	3,363
Other payables	—	14,127	—	—	14,127	14,127
		<u>21,625</u>	<u>—</u>	<u>—</u>	<u>21,625</u>	<u>21,625</u>

(c) Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate to their fair values.

24. CAPITAL RISK MANAGEMENT

The Company's primary objectives when managing capital are to safeguard the abilities of the entities in the Company to continue as a going concern, so that it can continue to provide returns for shareholder of the Company and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The directors of the Company actively and regularly review and manage the Company's capital structure to maximise the returns to shareholder through the optimisation of the debt afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. The Company's overall strategy remains unchanged from 2013.

Consistent with others in the industry, the Company monitors its capital structure on the basis of the gearing ratio. At 31 December 2014, the Company's gearing ratio was undefined because the Company did not have any borrowings at the end of each reporting period.

25. RETIREMENT BENEFIT PLANS

The employees of the Company in the PRC are members of a state-managed retirement benefits plans operated by the PRC Government. The Company is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefits plans is to make the specified contributions under the scheme.

The amounts of contributions made by the Company in respect of the retirement benefit plans during the year ended 31 December 2014 are disclosed in note 6.

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the retirement benefit plans for the year ended 31 December 2013 as of the date of approval of the financial statements.

26. RELATED PARTY TRANSACTIONS**(a) Balances with related parties**

Save as disclosed in notes elsewhere to the financial statements, the Company did not have any significant material related party transactions during the year.

(b) Key management personnel emoluments

The remuneration for key management is disclosed in note 7.

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of related party transactions for the year ended 31 December 2013 as of the date of approval of the financial statements.

27. COMMITMENTS

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of commitments for the year ended 31 December 2013 as of the date of approval of the financial statements.

28. CONTINGENT LIABILITIES

As disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of

the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of contingent liabilities for the year ended 31 December 2013 as of the date of approval of the financial statements.

29. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the Company had the following events after the end of the reporting period:

Year 2015

(a) The 30 April 2015 announcement

Due to insufficient financial resources of the Company, the Forensic Investigation has been temporarily halted.

While the Board will proceed with the legal remedies to effect the change in the legal representatives of the PRC Subsidiaries, the Board is not optimistic that it can be done in a short period of time. In this regard, the Board is exploring alternative approach to reflect the lack of effective control on the PRC Subsidiaries.

(b) The 19 May 2015 announcement

On 14 May 2015, the Stock Exchange issued a letter informing the Company that in view of, among others, the fact that: (a) all the Company's businesses are carried out by the PRC Subsidiaries of the Company; (b) the Company has been facing difficulties in exercising control over the PRC Subsidiaries; (c) the Company was refused to access to their offices and factories and was not provided with any information, books and records; and (d) the request for changing the PRC Subsidiaries' legal representatives was not entertained, the Company has lost its control on the PRC Subsidiaries and the Stock Exchange considers that the Company is unable to maintain a sufficient level of operations or assets required under rule 13.24 of the Listing Rules to support a continued Listing. Accordingly, the Stock Exchange has decided to place the Company in the first delisting stage pursuant to Practice Note 17 of the Listing Rules.

The first delisting stage will expire on 13 November 2015. The Company is required to submit a viable resumption proposal at least ten business days before the expiry of the first delisting stage.

(c) The 1 June 2015 announcement

On 1 June 2015, the company secretary of the Company was changed to Ms. Wong Po Ling, Pauline and the address of principal place of business in Hong Kong was changed to Room 2512, 25/F., Cosco Tower, 183 Queen's Road Central, Hong Kong.

(d) The 23 June 2015 announcement

On 4 May 2015, the New Controlling Shareholder entered into a sale and purchase agreement with Global Courage pursuant to which the New Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing of approximately 60.39% of the entire share capital of the Company at a consideration of approximately HK\$61,019,000, representing HK\$0.1 per sale share.

Upon completion and as at the date of this joint announcement, Global Courage and parties acting in concert with it are interested in 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Global Courage is required to make an unconditional mandatory general offer in cash for all the issued shares other than those already owned by Global Courage and parties acting in concert with it.

Head & Shoulders Securities Limited will, on behalf of Global Courage, make the offer, which is unconditional in all respects in compliance with the Takeovers Code, at HK\$0.10 per offer share, which is the same as the price per sale share paid by Global Courage to the New Controlling Shareholder under the sale and purchase agreement. Veda Capital Limited, being the financial adviser to Global Courage in respect of the offer, is satisfied that sufficient financial resources are available to Global Courage to satisfy full acceptances of the offer.

On the basis of the offer price of HK\$0.10 per offer share and 1,010,500,000 shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at approximately HK\$101.05 million. Excluding 610,193,622 sale shares having been acquired by Global Courage pursuant to the sale and purchase agreement, 400,306,378 Shares will be subject to the offer. Assuming there is no change in the issued share capital of the Company prior to the making of the offer, the offer is valued at approximately HK\$40.03 million.

(e) The 23 November 2015 announcement

On 19 November 2015, the Stock Exchange issued a letter to the Company stating that: (i) the first delisting stage has expired on 13 November 2015 but the Company has not submitted any resumption proposal before the deadline; and (ii) the Stock Exchange decided to place the Company in the second delisting stage under Practice Note 17 of the Listing Rules. The second delisting stage will expire on 18 May 2016. The Company should provide a viable resumption proposal at least 10 business days before the second delisting stage expires (i.e. 3 May 2016).

30. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position and the statement of changes in equity of the Company are set out in page 47, page 48 and page 49 respectively.

31. INVESTMENT IN THE DE-CONSOLIDATED SUBSIDIARIES

As explained in note 2.1, the directors of the Company been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous years and the previous management of the Group did not response to any request for information. The financial results, assets and liabilities of the De-consolidated Subsidiaries have not been included in financial statements of the Company and no consolidated financial statements were prepared since 1 January 2011. Details of the De-consolidated Subsidiaries are set out as below:

Name	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest held	Principal activities
Global Milk	The Republic of Singapore 15 September 2006	S\$1	100%	Investment holding
Da Qing Dairy	The PRC 29 October 1997	RMB638,000,000	100%	Manufacture marketing and sales of dairy products
Chang Qing Dairy	The PRC 7 August 2008	RMB10,000,000	100%	Manufacture marketing and sales of dairy products
Benniu Muye	The PRC 25 November 2010	RMB5,000,000	100%	Dairy farming

(B) UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 June 2015*

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	—	—
Cost of sales		—	—
Gross profit		—	—
Administrative expenses		(1,568)	(1,540)
Loss before taxation	4	(1,568)	(1,540)
Income tax expenses	5	—	—
LOSS FOR THE PERIOD		<u>(1,568)</u>	<u>(1,540)</u>
Other comprehensive income for the period, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating to presentation currency		50	78
Other comprehensive income for the period, net of income tax		<u>50</u>	<u>78</u>
Total comprehensive loss for the period		<u>(1,518)</u>	<u>(1,462)</u>
Loss for the period attributable to owners of the Company		<u>(1,568)</u>	<u>(1,540)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(1,518)</u>	<u>(1,462)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted		<u>RMB(0.002)</u>	<u>RMB(0.002)</u>

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	As at 30 June 2015 (Unaudited) <i>RMB'000</i>	As at 31 December 2014 (Audited) <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	8	—	429
Prepaid lease payments		—	—
Intangible assets		—	—
Deferred tax assets		—	—
		<u>—</u>	<u>—</u>
		<u>—</u>	<u>429</u>
Current assets			
Inventories		—	—
Prepayments and deposits paid	9	94	500
Prepaid lease payments		—	—
Bank balances and cash	10	58	58
		<u>152</u>	<u>558</u>
Current liabilities			
Accrued expenses and other payables	11	22,308	21,625
		<u>22,308</u>	<u>21,625</u>
Net current liabilities		<u>(22,156)</u>	<u>(21,067)</u>
Total assets less current liabilities		<u>(22,156)</u>	<u>(20,638)</u>

		As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
	<i>Notes</i>		
Capital and reserves			
Share capital	12	9	9
Reserves		<u>(22,165)</u>	<u>(20,647)</u>
		<u>(22,156)</u>	<u>(20,638)</u>
Non-current liabilities			
Deferred tax liabilities		—	—
Borrowings		<u>—</u>	<u>—</u>
		<u>—</u>	<u>—</u>
		<u>(22,156)</u>	<u>(20,638)</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014 (Audited)	9	1,142,805	10,608	36	(1,171,559)	(18,101)
Loss for the period	—	—	—	—	(1,540)	(1,540)
Other comprehensive income/(loss)						
Exchange difference on translating to presentation currency	—	—	—	78	—	78
Total comprehensive income/(loss) for the year	—	—	—	78	(1,540)	(1,462)
At 30 June 2014 (Unaudited)	9	1,142,805	10,608	114	(1,173,099)	(19,563)
At 1 January 2015 (Audited)	9	1,142,805	—	121	(1,163,573)	(20,638)
Loss for the period	—	—	—	—	(1,568)	(1,568)
Other comprehensive income/(loss)						
Exchange difference on translating to presentation currency	—	—	—	50	—	50
Total comprehensive income/(loss) for the year	—	—	—	50	(1,568)	(1,518)
At 30 June 2015 (Unaudited)	9	1,142,805	—	171	(1,165,141)	(22,156)

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cash generated from operating activities	—	1
Net increase in cash and cash equivalents	—	1
Cash and cash equivalents at beginning of the period	<u>58</u>	<u>51</u>
Cash and cash equivalents at ending of the period	<u><u>58</u></u>	<u><u>52</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL

Daqing Dairy Holdings Limited (the “Company”) is a limited company incorporated in the Cayman Islands on 15 October 2009.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 2512, 25/F., COSCO Tower, 183 Queen’s Road Central, Hong Kong.

The financial statements of the Company are presented in Renminbi (“RMB”).

The Company acts as an investment holding company.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 October 2010 (the “Listing”). Trading in the shares of the Company has been suspended since 22 March 2012.

2.1 BASIS OF PREPARATION

The financial statements as at and for the six months ended 30 June 2015 comprise the Company.

The interim condensed financial statement for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Boards (“IASB”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2014.

As disclosed in the Company’s announcement dated 29 March 2012, during the audit process in respect of the financial year ended 31 December 2011, irregularities were identified by Deloitte Touche Tohmatsu, the predecessor auditors of the Company (the “Predecessor Auditors”) that (i) certain milk procurement transactions brought to the attention of management and acknowledged by them to be fraudulent; (ii) unexplained differences between sales receipt notes sighted during the Predecessor Auditors’ works in February 2012 and documents purporting to be the same sales receipt notes returned to the Company in March 2012 ostensibly following a Tax Bureau investigation; (iii) the explanation provided by management-The Tax Bureau investigation-for removing accounting records which were then not available to the Predecessor Auditors continuously during the audit; (iv) the validity and commercial substance of acquisitions of milk stations, farm houses and Holstein cattle; and (v) difficulties the Predecessor Auditors encountered during their visits to the local branch of one of the banks of the Company and its subsidiaries (the “Group”) (collectively referred as to the “Potential Irregularities”). The Predecessor Auditors tendered its resignation as auditors of the Company with effect from 21 March 2012 and the Company applied for suspension of trading in the shares on the Main Board of the Stock Exchange on 22 March 2012.

It was further disclosed in the Company’s announcement dated 29 March 2012 that an independent review committee comprised of the independent non-executive directors at that material time and other qualified independent individuals has been established to conduct a review on the Potential Irregularities raised by the Predecessor Auditors.

As disclosed in the Company's announcements dated 18 May 2012 and 20 June 2012, during May and June 2012, those independent non-executive directors at that material time forming the independent review committee tendered their resignation as the independent non-executive directors of the Company.

As disclosed in the Company's announcement dated 9 January 2013, on 2 January 2013, it was discovered that the heating pipes of the offices of a subsidiary, Da Qing Dairy Ltd. (大慶乳品廠有限責任公司) ("Da Qing Dairy"), located in Daqing City, Heilongjiang Province of the People's Republic of China ("PRC"), were cracked as result of severe coldness in the northern area of the PRC and pipeline aging. Due to cracking of the heating pipes, the first and the second floors of the offices had been soaked, and extensive damages were caused to the office facilities, computers and documents in the office of finance, logistics, administration and engineering departments of the Group (collectively referred to as the "Incident").

As disclosed in the Company's announcement dated 18 April 2013, on 8 February 2013, Mr. Zhao Yu, then controlling shareholder of the Company at that material time, entered into a sale and purchase agreement pursuant to which Mr. Zhao agreed to sell and Radiant State Limited (the "New Controlling Shareholder") agreed to purchase the sale shares, representing 52.16% of the entire share capital of the Company at a consideration of HK\$52,704,000 in cash, representing HK\$0.1 per sale share (collectively referred to as the "Purchase").

As disclosed in the Company's announcement dated 5 July 2013, the New Controlling Shareholders received valid acceptances in respect of a total 83,153,622 shares in the Company under the unconditional mandatory cash offer (the "Share Acceptance"), representing 8.23% of the entire issued share capital of the Company. Following completion of the Purchase and the Share Acceptance, the New Controlling Shareholder held 60.39% equity interest in the Company.

As disclosed in the Company announcement dated 5 September 2013, Mr. Ng Kwong Chue Paul was appointed as executive director of the Company, Ms. Kou Mei In was appointed as non-executive director of the Company and Mr. Sze Lin Tang was appointed as an independent non-executive director of the Company (the "New Management").

As disclosed in the Company's announcement dated 6 November 2013, the Company engaged RSM Corporate Advisory (Hong Kong) Limited (formerly known as "RSM Nelson Wheeler Corporate Advisory Limited") (the "Forensic Accountants") to carry out forensic investigation in respect of the Potential Irregularities (the "Forensic Investigation"). It was further disclosed in the Company's announcements dated 29 January 2014, 4 April 2014, 13 June 2014, 5 September 2014, 28 November 2014 and 30 April 2015 that (1) the Forensic Accountants were yet to commence their field work as the Company and the Forensic Accountants have encountered difficulties in procuring relevant parties including the previous management of the Group to cooperate in the field work of the Forensic Investigation; (2) two PRC law firms were engaged with the objectives to (i) effect the change of legal representatives and board of directors of Da Qing Dairy, Heilongjiang Chang Qing Dairy Products Co., Ltd. (黑龍江常慶乳業有限責任公司) ("Chang Qing Dairy") and Wuchang Benniu Muye Co., Ltd (五常犇牛牧業有限責任公司) ("Benniu Muye") (collectively referred as to the "PRC Subsidiaries") through legal means; and (ii) obtain information requested by the Forensic Accountants; and (3) the contemplate change of respective legal representatives of the PRC Subsidiaries could not be effected and due to insufficient financial resources of the Company, the Forensic Investigation has been temporarily halted.

In addition, the New Controlling Shareholder appointed two individuals into the board of directors of its wholly-owned subsidiary, Global Milk Products Pte. Ltd, which is incorporated in the Republic of Singapore ("Global Milk"). However, the directors of the Company could not locate the complete books and records of the Company and Global Milk and the previous management of the Company and Global Milk have continued ignoring the request for any information. Subsequently in the shareholders meeting of Global Milk held on 3 December 2015, the Company resolved to put Global Milk into winding up, subject to further advice from legal advisors.

Given the circumstances that the directors of the Company have been unable to locate the complete books and records of the Company and Global Milk and to get access to the books and records of the PRC Subsidiaries and in the absence of the Group's previous management to explain and validate the true state of the affairs of the Company at 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013, it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of at 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013 for the Group or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the years and various balances of the Company, Global Milk and the PRC Subsidiaries as at 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013. In the Company's board of directors (the "Board")' opinion, any reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the Group's previous management or those responsible for the financial information which the Predecessor Auditors identified the Potential Irregularities within and outside of the Group.

As of the date of the interim condensed financial statements of the Company, the directors of the Company have used its best effort, to the extent commercially practicable, to reconstruct the accounting records of the Company, Global Milk and the PRC Subsidiaries for the years ended 31 December 2011, 2012 and 2013, applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. However, given substantial portion of the books and records could not be located or accessed and the previous management of the Group did not response to the New Management's request, the Board believes that as at the date of approval of the interim condensed financial statements, it is impossible and impractical to ascertain the transactions and balances of the Company, Global Milk and the PRC Subsidiaries for inclusion in the interim condensed financial statements of the Company. Also, due to substantial portion of the books and records of the Group either could not be located or could not be accessed, the Board believes that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group for previous years.

Given these circumstances, the Board has not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no consolidated financial statements of the Company were prepared since the year ended 31 December 2011. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included into the financial statements of the Company since 1 January 2011. The resulting loss on de-consolidation of approximately RMB1,583,093,000, which is determined based on the net asset value of the De-consolidated Subsidiaries as at 1 January 2011 has been recognised in the statement of profit or loss and other comprehensive income during the year ended 31 December 2011 and the resulting movement of approximately RMB55,946,000 has been recorded in the statutory surplus reserve in the statement of changes in equity for the year ended 31 December 2011. However, the de-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Financial Reporting Standard ("IFRS") 10 "Consolidated Financial Statements".

Due to the limited financial information available and the previous management of the Group did not response to the New Management's request, the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the genuineness and completeness of books and records and the treatment of various balances as included in the financial statements for the six months ended 30 June 2015 and have formed the opinion as follows:

As the interim condensed financial statements have been prepared based on the lack of books and records available to the Company in the previous periods, the directors of the Company are unable to represent that all transactions entered into by the Company and the Group for the previous periods have been properly reflected in the interim condensed financial statements. In this connection, the directors of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of accrued expenses and other payables in note 11.

As per assessment by the Board, based on the investigations carried out by the Forensic Accountants and the information available at this stage, all identified, required adjustments have been put through in the financial statements for the six months ended 30 June 2015. Since the investigations may be on-going, any further adjustments and disclosures, if required, would be made in the interim condensed financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified, and would have a consequential effect on the net loss of the Company for the six months ended 30 June 2015 and net liabilities of the Company as at 30 June 2015.

During the six months ended 30 June 2015, the Group incurred loss of approximately RMB1,568,000. In addition, following non-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting any business. It was further disclosed in the Company's announcements dated 19 May 2015 and 23 November 2015 respectively that the Stock Exchange has placed the Company in the first delisting stage on 14 May 2015 and subsequently placed in the second delisting stage on 19 November 2015 pursuant to Practice Note 17 of the Listing Rules. The directors of the Company have also been unable to represent that all present and contingent liabilities of the Company have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant effect on the Company's ability to continue as a going concern.

As disclosed in the Company's announcement dated 23 June 2015, on 4 May 2015, the New Controlling Shareholder entered into a sale and purchase agreement with Global Courage Limited ("Global Courage") pursuant to which the New Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing of approximately 60.39% of the entire share capital of the Company at a consideration of approximately HK\$61,019,000, representing HK\$0.1 per sale share.

Given the circumstance that there exists potential new shareholder to invest in the Company, the directors of the Company have adopted the going concern basis in the preparation of the financial statements.

Should the Company be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the interim condensed financial statements.

2.2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

The interim condensed financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirements of the Listing Rules.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2014.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised IFRSs as of 1 January 2015, noted below:

IAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions
IFRSs (Amendments)	Annual Improvements to IFRSs 2010–2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011–2013 Cycle

3. REVENUE AND SEGMENT INFORMATION

The Company did not conduct business during the period.

4. LOSS BEFORE TAXATION

The Company's loss before tax is arrived at after charging the amounts as set out below.

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Salaries and wages	—	—
— Retirement benefit scheme contributions	—	—
	<u>—</u>	<u>—</u>

5. INCOME TAX EXPENSES

Hong Kong Profits Tax rate was 16.5% (six months ended 30 June 2014: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company did not have any assessable profit arising in Hong Kong for the period.

The income tax expenses can be reconciled to the loss before taxation per the condensed statement of comprehensive income as follows:

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Loss before taxation	<u>(1,568)</u>	<u>(1,540)</u>
Tax at the statutory tax rates	(259)	(254)
Effect of unrecognised deductible losses and deductible temporary differences	<u>259</u>	<u>254</u>
	<u>—</u>	<u>—</u>

6. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB Nil).

The Company's bank balances and cash as at 30 June 2015 and 31 December 2014 respectively denominated in following currencies:

	As at 30 June 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>
Currency:		
United States Dollars	<u>37</u>	<u>37</u>
HK\$	<u>21</u>	<u>21</u>

The Company's bank balances and cash denominated in RMB are not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

As disclosed in note 32 of the Group's consolidated financial statements for the year ended 31 December 2010 which were authorized to issue on 11 March 2011 (the "2010 Financial Statements"), a bank balances and cash amounted to approximately RMB11,523,000 was recorded on the statement of financial position of the Company at 31 December 2010. Except for bank balances of approximately RMB3,000, the directors of the Company have been unable to locate the bank accounts. The Company engaged the Forensic Accountants to conduct investigations, including (i) send letters to the Predecessor Auditors to request them provide the relevant bank information; and (ii) send letters to banks in Hong Kong (including licensed banks, restricted licensed banks and deposit-taking companies) (collectively referred as to the "Banks") to make enquiry on whether the Company maintained any bank accounts in the Banks. However, as of the date of approval of the interim condensed financial statements, the Predecessor Auditors only replied that the relevant information was not available as it was located in their PRC office. In addition, no Banks has indicated the existence of any bank accounts of the Company up to the date of these interim condensed financial statements. Given these circumstances, the directors of the Company recognised a loss approximately RMB11,520,000 as other suspense accounts in the statements of profit or loss and other comprehensive income for the year ended 31 December 2011.

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to books and records of the Company, including relevant bank accounts of the Company for the previous periods. Given incomplete books and records of the Company and the Company's previous management did not response to the request for information, it would be impossible and impracticable to ascertain these bank transactions which took place in the previous periods and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of the bank transactions.

11. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
Accrued expenses	3,838	3,325
Amount due to a subsidiary	810	810
Amount due to a related party	3,212	3,363
Amount due to Globale Courage	318	—
Other payables	<u>14,130</u>	<u>14,127</u>
	<u>22,308</u>	<u>21,625</u>

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries. In addition, the directors of the Company have been unable to locate books and records of certain bank transactions took place for the previous periods. Given the incomplete books and records and the previous management of the Group did not response to request for information, it would be impossible and impracticable to ascertain these bank transactions took place for the previous periods and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of these bank transactions. Given these circumstances, the directors of the Company have recognised (i) liabilities of approximately HK\$13,142,000 (equivalent to approximately RMB10,543,000) in respect of the aggregate amounts of the debit balances of bank transactions took place in the previous periods; and (ii) liabilities of approximately RMB3,587,000 among which the directors of the Company have been unable to locate relevant books and records in the statements of financial position as other payables at 30 June 2015.

As further disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amount due to a subsidiary and other payables for the previous periods. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the trade and other payables as of the date of approval of the interim condensed financial statements.

The amount due to a related party was interest-free and repayable on demand.

12. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares		
Authorised:		
As at 30 June 2014 and 30 June 2015 (HK\$0.00001 each)	<u>38,000,000,000</u>	<u>380</u>

	Number of shares	Share capital	
		HK\$'000	RMB'000
Issued:			
As at 30 June 2014 and 30 June 2015	<u>1,010,500,000</u>	<u>10</u>	<u>9</u>

13. SHARE-BASED PAYMENTS

As set out in note 16 to the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 which were authorised for issue on 18 August 2011 (the “2011 Interim Report”), the Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 10 October 2010 for the purpose to reward the directors and employees who have contributed to the Group and to encourage the directors and employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on 9 October 2020. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme of the Company shall not, in the absence of shareholders’ approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the listing date.

The maximum number of shares issued and to be issued upon exercise of the options granted to each grantee under the Scheme in any 12-month period shall not exceed 1% of the shares in issue for the time being.

Where any further grant of options to a director or employee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders in general meeting with such director or employee and his associates abstaining from voting. The Company must send a circular to the shareholders disclosing the identity of the director or employee in question, the number and terms of the options to be granted (and options previously granted to such director or employee) and such other information required under the Listing Rules.

At any time, the maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Scheme shall not in aggregate exceed 30% of the shares in issue from time to time.

As disclosed in the Company’s announcement dated 28 April 2011 and the Company’s interim report for the six months ended 30 June 2011 which were authorised for issue on 18 August 2011 (the “2011 Interim Report”), the Company granted to eligible directors and employees (“Grantees”) 27,000,000 share options (the “Share Options”) to subscribe for ordinary shares of HK\$0.00001 each in the Company, at an exercise price of HK\$3.512 per share. The Share Options would be vested on 28 October 2012 and the exercisable period of the Share Options is from 28 October 2012 to 27 October 2014. The Share Options vested on 28 October 2012 and the exercisable period of the Share Options was from 28 October 2012 to 27 October 2014.

The closing price of the Company’s shares immediately before 28 April 2011, the date of grant, was HK\$3.15 per share.

Pursuant to the monthly returns on equity issuer on movements in securities submitted by the Company on 4 February 2013, 12,000,000 share options have been lapsed during January 2013. Details of the movement of the Share Options during the current and the previous years and the outstanding number of share options balance as at 30 June 2014 are as follows:

	Number of share options
Balance as at 1 January 2013	24,000,000
Lapsed of share options	<u>(12,000,000)</u>
Balance as at 31 December 2013, 1 January 2014 and 30 June 2014	<u>12,000,000</u>

As further disclosed in the Company's interim report, the total fair values of the options determined at the date of grant using the Binomial model were HK\$28,701,000 (equivalent to RMB23,868,000). The following assumptions were used to calculate the fair value of share options:

	28 April 2011
Grant date share price	HK\$3.15
Exercise price	HK\$3.512
Expected volatility	50%
Dividend yield	0%
Risk-free interest rate	1.2%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the Share Options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

As disclosed in the Company's monthly return dated 4 February 2013, 12,000,000 share options have been lapsed and the Company transferred the balances of the share option reserve of approximately RMB10,608,000 to accumulated loss in the statement of changes in equity.

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the share-based payments transaction for the year ended 31 December 2013 as of the date of approval of the interim condensed financial statements.

14. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

Save as disclosed in notes elsewhere to the interim condensed financial statements, the Company did not have any significant material related party transactions during the period.

(b) Key management personnel emoluments

The remuneration for key management is disclosed in note 4.

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous periods. Given the incomplete books and records and the previous management of the Group did not respond to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of related party transactions as of the date of approval of the interim condensed financial statements.

15. COMMITMENTS

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous periods. Given the incomplete books and records and the previous management of the Group did not respond to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of commitments as of the date of approval of the interim condensed financial statements.

16. CONTINGENT LIABILITIES

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous periods. Given the incomplete books and records and the previous management of the Group did not respond to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous periods. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of contingent liabilities as of the date of approval of the interim condensed financial statements.

17. EVENTS AFTER THE REPORTING PERIOD

Year 2015

(a) The 23 November 2015 announcement

On 19 November 2015, the Stock Exchange issued a letter to the Company stating that: (i) the first delisting stage has expired on 13 November 2015 but the Company has not submitted any resumption proposal before the deadline; and (ii) the Stock Exchange decided to place the Company in the second delisting stage under Practice Note 17 of the Listing Rules. The second delisting stage will expire on 18 May 2016. The Company should provide a viable resumption proposal at least 10 business days before the second delisting stage expires (i.e. 3 May 2016).

4. STATEMENT OF INDEBTEDNESS

As at 30 November 2015, being the latest practicable date for the purpose of this statements of indebtedness prior to the printing of this document, the Company had (i) amount due to a subsidiary of approximately RMB810,000; (ii) amount due to a related party of approximately RMB3,485,000; and (iii) amount due to the Offeror of approximately RMB1,155,000.

Save as aforesaid and apart from intra-group liabilities, the Company as at the close of business on 30 November 2015, did not have any outstanding loan capital issued, and outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors are not aware of any material changes in the financial or trading position or outlook of the Group (excluding the PRC Subsidiaries and Global Milk, the Company's immediate holding subsidiary holding the PRC Subsidiaries) which the Directors have no information due to the Company's loss control over these subsidiaries) since 31 December 2014, being the date of the latest published audited financial statements of the Group up to and including the Latest Practicable Date, save for:

- (i) the unaudited consolidated loss recorded by the Group as set out in the Group's interim financial statements for the six months ended 30 June 2015;
- (ii) the insufficient financial resources of the Company causing the forensic investigation to be temporarily halted which the investigation is one of the resumption conditions imposed by the Stock Exchange as announced by the Company on 30 April 2015;
- (iii) that the Board was not optimistic to effect the change in the legal representatives of the PRC subsidiaries in a short period of time to regain effective control on these subsidiaries as announced by the Company on 30 April 2015;
- (iv) that the Board was still in negotiations, with no concrete terms or agreement reached, with potential investors and industry players for possible fund raising, business cooperation and/or acquisition to re-vitalize the Company's operation as announced by the Company on 30 April 2015 and 23 November 2015;
- (v) that the Company has resolved to wind up its immediate Singapore incorporated subsidiary (i.e. Global Milk) on 3 December 2015 as the Company was unable to ascertain the completeness and accuracy of its books and records so as to exercise management control over such subsidiary; and that such Singapore subsidiary had failed to serve as an intermediate holding company to exercise an effective control over its operating subsidiaries in the PRC (i.e. the PRC Subsidiaries);

- (vi) that the Stock Exchange had placed the Company in the delisting stage under Practice Note 17 to the Listing Rules due to the Company's loss of control on the PRC subsidiaries which all of the Company's business were carried out by such subsidiaries, and that the second delisting stage will expire on 18 May 2016 which the Company has to provide a viable resumption proposal to, among others, (a) demonstrate sufficient operation of assets under Rule 13.24 of the Listing Rules; (b) conduct forensic investigation on the issues raised by its then auditors; and (c) publish all outstanding financial results and address any audit qualifications, as announced by the Company on 19 May 2015 and 23 November 2015; and
- (vii) that the then Company's controlling shareholder sold all its interest in the Company to the Offeror in May 2015 triggering a mandatory unconditional offer obligation on the part of the Offeror which is the subject matter of this Composite Document as announced by the Company on 23 June 2015.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offer, the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror and Dr. Choi jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor and parties acting in concert with any one of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Group, the Vendor and parties acting in concert with any one 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. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the shareholdings of the Offeror and parties acting in concert with it in the Company were as follows:

Shareholders	Capacity/Nature of interests	Number of issued ordinary Shares held	Approximate percentage of issued share capital of the Company
The Offeror	Beneficial owner	610,193,622	60.39%
Head and Shoulders Direct Investment	Interest in controlled corporation (<i>note</i>)	610,193,622	60.39%
Dr. Choi	Interest in controlled corporation (<i>note</i>)	610,193,622	60.39%

Note: As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Head and Shoulders Direct Investment, which is wholly and beneficially owned by Dr. Choi.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them, owned or controlled any Shares or any options, warrants, derivatives or securities carrying conversion or subscription rights into shares of the Company.

3. DEALINGS IN SECURITIES OF THE COMPANY

- (a) save for the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them has dealt in any Shares or other relevant securities of the Company during the Relevant Period;

- (b) save for the Sale and Purchase Agreement, as at the Latest Practicable Date, no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them and any other person;
- (c) as at the Latest Practicable Date, no person had irrevocably committed himself to accept or reject the Offer;
- (d) as at the Latest Practicable Date, no Shares or convertible securities, warrants, options or derivatives of the Company was owned or controlled by a person with whom the Offeror, its sole ultimate beneficial owner 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;
- (e) as at the Latest Practicable Date, none of the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company; and
- (f) as at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

4. OTHER ARRANGEMENTS RELATING TO THE OFFER

As at the Latest Practicable Date:

- (a) save for the Offeror's interests disclosed in paragraph 2 of this Appendix III, none of the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (b) no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (c) there was no agreement or arrangement to which the Offeror, its sole ultimate beneficial owner and/or parties acting in concert with any of them was a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

- (d) pursuant to the terms and conditions of the Facility granted by Head & Shoulders Securities for the purpose of the Sale and Purchase Agreement and the Offer, the Sale Shares and the Offer Shares to be acquired by the Offeror under the Offer shall be deposited with Head & Shoulders Securities as collateral for the Facility. Save for the aforesaid, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons; and
- (e) save as disclosed under section headed “Proposed change of Board composition” in the “Letter from Head & Shoulders Securities” in this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with any of them, and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent on the Offer.

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letter/opinion is contained in this Composite Document:

Name	Qualification
Head & Shoulders Securities	A licensed corporation for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
Veda Capital	A licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Head & Shoulders Securities and Veda Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of Head & Shoulder Securities and Veda Capital had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. GENERAL

- (a) The Offeror was incorporated in the BVI with limited liability and is wholly and beneficially owned by Head and Shoulders Direct Investment. The sole director of the Offeror is Head and Shoulders Direct Investment.
- (b) Head and Shoulders Direct Investment was incorporated in the BVI with limited liability and is wholly and beneficially owned by Dr. Choi who is also the sole director of Head and Shoulders Direct Investment.

- (c) The registered address of the Head and Shoulders Direct Investment is situated at Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands.
- (d) The registered office address of the Offeror is NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands.
- (e) The correspondence address of Dr. Choi is Room 2511, 25/F Cosco Tower, 183 Queen's Road Central, Hong Kong.
- (f) The registered office and correspondence address of Veda Capital is situated at Room 1106, 11/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (g) The English text of this Composite Document shall prevail over its Chinese text in the case of inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 2512, 25/F., Cosco Tower, 183 Queen's Road Central, Hong Kong during the normal business hours on any Business Day; (ii) on the SFC's website at <http://www.sfc.hk>; and (iii) the website of the Company at <http://www.cre8ir.com/daqingdairy/>, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Head & Shoulders Securities as set out on pages 6 to 18 of this Composite Document; and
- (c) the written consents from the experts as referred to under the section headed "EXPERTS AND CONSENTS" in this Appendix III.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offer and the Offeror, its associates and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) 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 herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised Shares</i>	<i>HK\$</i>
<u>38,000,000,000</u> Shares	<u>380,000.00</u>
<i>Issued Shares:</i>	<i>HK\$</i>
<u>1,010,500,000</u> Shares	<u>10,105.00</u>

All existing issued Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

The Company had not issued any Shares since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company has 1,010,500,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTEREST

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the

register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed under the Takeovers Code.

(b) Substantial Shareholder's interests and short positions in the Shares

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the interests and short positions of the persons (other than the Directors and the chief executive of the Company) or corporations in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Shareholders	Capacity/Nature of interests	Number of issued ordinary Shares held	Approximate percentage of issued share capital of the Company
Global Courage Limited	Beneficial owner	610,193,622	60.39%
Head and Shoulders Direct Investment	Interest in controlled corporation (<i>note</i>)	610,193,622	60.39%
Dr. Choi	Interest in controlled corporation (<i>note</i>)	610,193,622	60.39%
Extensive Success Limited	Interest in controlled corporation	57,000,000	5.64%

Note: As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Head and Shoulders Direct Investment, which is wholly and beneficially owned by Dr. Choi.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, no other person (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) as at the Latest Practicable Date, none of the Company and the Directors owned or controlled or was interested in any relevant securities of the Offeror, nor had dealt in any relevant securities of the Offeror during the Relevant Period;
- (b) as at the Latest Practicable Date, none of the Directors owned or controlled or was interested in any relevant securities of the Company;
- (c) none of the Directors had dealt for value in any relevant securities of the Company during the Relevant Period;
- (d) none of the subsidiaries of the Company, pension fund of the Company (if any) or of any subsidiaries of the Company and any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities of the Company as at the Latest Practicable Date and none of them had dealt in any relevant securities of the Company since the commencement of the Offer Period and up to and including the Latest Practicable Date;
- (e) as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (f) there were no relevant securities of the Company which were managed on a discretionary basis by fund managers connected with the Company as at the Latest Practicable Date and there were no fund managers connected with the Company had dealt in any relevant securities of the Company since the commencement of the Offer Period and up to and including the Latest Practicable Date; and
- (g) as at the Latest Practicable Date, neither the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

5. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) was or will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Offer;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

- (c) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

6. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
21 March 2012 (Last Trading Day)	HK\$1.680
31 December 2014	trading suspended
30 January 2015	trading suspended
27 February 2015	trading suspended
31 March 2015	trading suspended
30 April 2015	trading suspended
29 May 2015	trading suspended
22 June 2015 (last Business Day immediately precedent the commencement of the Offer Period)	trading suspended
31 July 2015	trading suspended
31 August 2015	trading suspended
30 September 2015	trading suspended
30 October 2015	trading suspended
30 November 2015	trading suspended
31 December 2015	trading suspended
26 January 2016 (Latest Practicable Date)	trading suspended

Trading in the Shares on the Stock Exchange has been suspended since 22 March 2012 and will continue to be suspended until further notice. The closing price of the Shares on the Last Trading Day was HK\$1.680 per Share.

7. LITIGATION

The Board has no information of any litigation, arbitration or claim of material importance of any subsidiaries of the Company due to loss of control over them. To the best information, knowledge and belief of the Directors, Da Qing Dairy Ltd. (大慶乳品廠有限責任公司), which is one of the PRC Subsidiaries, is found by the Board (through litigation search) to be involved in contractual disputes in relation to tenancy and sale and purchase during 2009 to 2015 as defendant. The Board has no details about these litigation (such as the amounts involved) and has no information if any other PRC Subsidiaries have been involved in any litigation, arbitration or claim of material importance. Save as disclosed, as at the Latest Practicable Date, neither the Company nor any other members of the Group

was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any members of the Group.

8. MATERIAL CONTRACTS

The Board has no information of any material contracts entered into by the subsidiaries of the Company due to loss of control over them. Save for this, there are no contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company, have been entered into by the Company within two years before the commencement of the Offer Period and up to the Latest Practicable Date which are or may be material.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualification
VMS Securities	a licensed corporation to carry on 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
HLB Hodgson Impey Cheng Limited (“HLB”)	Certified Public Accountants

Each of VMS Securities and HLB has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of VMS Securities and HLB had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 2512, 25/F., Cosco Tower, 183 Queen's Road Central, Hong Kong during the normal business hours on any Business Day; (ii) on the SFC's website at <http://www.sfc.hk>; and (iii) the website of the Company at <http://www.cre8ir.com/daqingdairy/>, from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum of association and the articles of association of the Company;
- (ii) the annual reports of the Company for each of the two financial years ended 31 December 2013 and 2014;
- (iii) the interim report of the Company for the six months period ended 30 June 2015;
- (iv) the letter from the Board, the text of which is set out on pages 19 to 24 of this Composite Document;
- (v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 25 to 26 of this Composite Document;
- (vi) the letter of advice from VMS Securities to the Independent Board Committee, the text of which is set out on pages 27 to 44 of this Composite Document;
- (vii) the written consents referred to in the paragraph headed "Experts and Consents" of this Appendix IV; and
- (viii) this Composite Document.