



CHINA MILK PRODUCTS GROUP LIMITED



ACCOLADES

- **National Leading Enterprise** in the agricultural and farming industry, conferred by the Central Government in 2002, 2005, 2007 and 2009
- **Provincial Leading Enterprise** from the Heilongjiang Province People's Government in 2002, 2005 and 2007
- **Nominated as the sole supplier of milk products** for the Heilongjiang Provincial Government and its affiliates
- **Milk Production Promising Enterprise** (2004) from the China Milk Industry Association
- **High-Technology Expertise award** (2003) from the Heilongjiang Science and Technology Committee



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About China Milk

Listed on the Main Board of the Singapore Exchange on 13 March 2006, China Milk Products Group Limited, through its primary operating subsidiary, Daqing Yinluo Dairy Co., Ltd. (大庆市银螺乳业有限公司) is a National Leading Enterprise and one of the largest producers of pedigree bull semen, dairy cow embryos and raw milk in China.

China Milk's raw milk is sold mainly to major domestic dairy product manufacturers who process the raw milk to produce various dairy products such as fresh and pasteurised milk, yoghurt and ice cream. Its pedigree bull semen and pedigree dairy cow embryos are mainly sold to various government livestock bureaus and government entities in different areas in China and are either used for their own internal consumption or resold to local farmers with the aim of improving the quality of the breed.

Based in Heilongjiang Province, China Milk is strategically located in one of the top three regions in the world with ideal conditions for dairy cow breeding. The other two regions are in Wisconsin in the United States and the State of Victoria in Australia.

As at 31 March 2009, China Milk has a total herd size of 21,820, which includes Holsteins of Canadian, Australian and Chinese origins. Holsteins are renowned for their ability to produce more milk than other breeds, particularly the highly-prized Canadian Holsteins with an annual production capacity of 8 to 10 tonnes of raw milk per cow. China Milk owns one of the largest herds of Canadian Holsteins in the PRC and will continue to expand its highly-prized herd through its modern animal husbandry expertise.



At A Glance

OUR PRODUCTS

WHAT WE DO

Pedigree Bull Semen



Bull semen is collected from our pedigree sires twice a week on average. After an extensive cleaning and sterilisation process, each sire is allowed to mount a teaser cow after which it ejaculates into a cylindrical tube. The ejaculate is then examined for contaminants, sperm concentration and normality in the laboratory. Sperm not meeting the prescribed standard of vivacity is immediately discarded. The extracted bull semen is then diluted, cooled, frozen and packed in plastic straws for storage at up to minus 197 degrees Celsius.

Dairy Cow Embryos



Dairy cow embryos are collected not more than twice a year. Plastic straws of semen are fitted into an insemination gun which is used to introduce semen beyond the cervix of the cow. Once fertilisation is completed, the embryo is flushed out using a two-way catheter. The flushed fluid containing fertilised embryos are then sent to the laboratory for inspection and evaluation of their quality. Embryos are then packed in plastic straws and frozen for storage.

Raw Milk



Milking is conducted in two shifts each day. Our dairy cows are sanitised in a milk shed prior to the milking process. The dairymen will hook the teats of the cows to sucker rods that connect directly to a cooling churn. After milking, the raw milk is then stored at around 4 degrees Celsius and may be collected by our customers directly on the same day.

Bull Sires (Canadian Holsteins) – **Up 27.1%** ▲

Dairy Cows (Canadian Holsteins) – **Up 30.4%** ▲

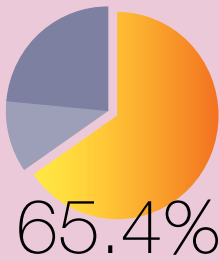
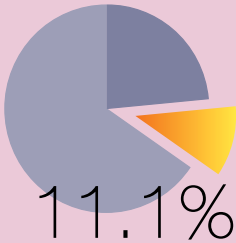
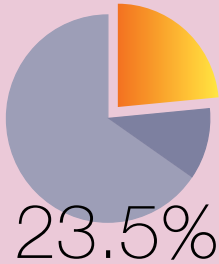
Dairy Cows (Australian Holsteins) – **Up 98.1%** ▲

Production of Pedigree Bull Semen – **Up 16.6%** ▲

Production of Pedigree Cow Embryos – **Up 12.8%** ▲

Production of Raw Milk – **Up 16.1%** ▲



OUR PRODUCTS	SALES	DEVELOPMENTS IN FY2009
Pedigree Bull Semen	<p>RMB423.5 million</p>  <p>65.4%</p>	<p>Sales of our pedigree bull semen increased by 11.7% to RMB423.5 million due to increased production, which went up by 11.7% to 6.2 million straws in FY2009. Of these, approximately 97% were sold, a portion was used internally for breeding and the remaining straws were kept as inventory for future sales.</p>
Dairy Cow Embryos	<p>RMB72.1 million</p>  <p>11.1%</p>	<p>The sale of pedigree dairy cow embryos rose 14.3% to RMB72.1 million, thanks to increased production as a result of an expanded herd size. Production rose 12.8% to 36,915 straws, of which approximately 78% were sold, a portion was used internally for breeding and the remaining straws were kept as inventory for future sales.</p>
Raw Milk	<p>RMB152.1 million</p>  <p>23.5%</p>	<p>Despite the melamine incident, raw milk recorded the highest sales growth with 45.4% to RMB152.1 million. This was due to a 25% increase in the average price of milk as well as higher sales quantity. The Group produced and sold 47,939 tonnes of raw milk.</p>
Total	<p>RMB647.7 million</p>	

MILK PROCESSING PLANT ►

Total production capacity of up to 150,000 tonnes per year. Able to process milk products such as UHT milk, milk beverages, ice-cream and yoghurt drinks.



STORAGE OF FEEDS ►

Feedstuffs with different nutrient values are blended together, according to the relevant Total Mixed Ration formulated by our experts for the different groups of cattle. Ingredients include corn silage, clover, sheep grass, corn, soyabean meal, wheatbran, mineral additives, saleratus, lees and beet.



MILKING FACILITY ►

Dairy cows are milked, in groups of 48 cows, twice a day.



MALE CALVES (under observation)

Male calves from birth to six months of age are assessed to ascertain their suitability to become sires. Those found not suitable will be sold.

ORGANIC FERTILISER PROCESSING PLANT ►

Solid waste from cattle is processed, dried and sold as fertilisers to farmers in the nearby region.



DAIRY COWS ▲
21,218 dairy cows

ADMINISTRATIVE OFFICE ►

Manages China Milk's operations



Our Farm





◀ EXTRACTION OF BULL SEMEN

Bull semen is collected from pedigree sires twice each week on average.



◀ ARTIFICIAL INSEMINATION

Bull semen is injected beyond the cervix of dairy cows for fertilisation.



◀ FREEZER

Straws of bull semen and cow embryos are stored at -197 degrees Celsius in liquid nitrogen.



◀ HEIFERS

Heifers will be raised to 14-16 months of age, after which they will be impregnated and be ready for milking.



◀ SIMMENTAL COWS

- Pedigree dairy cow embryos are transplanted into Simmental cows for reproduction
- Gestation of 280 days before a calf is born



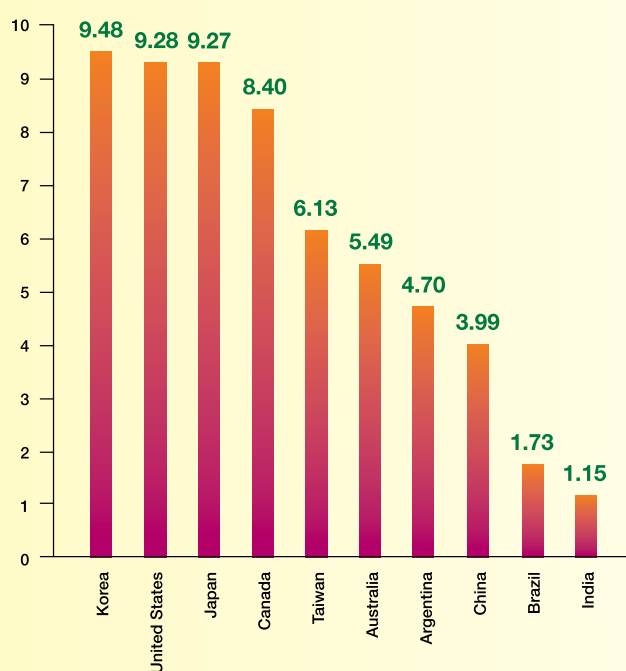
R&D ▲

Initiatives include raising protein levels and fat content of raw milk, raising success rate of embryo transplants, producing gender controlled bull semen and embryos.

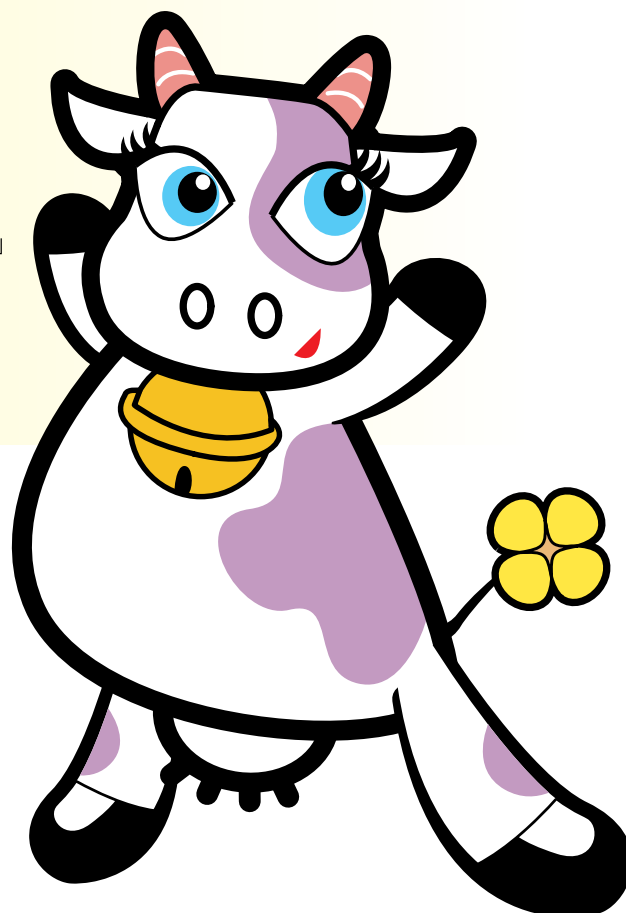
About China's Raw Milk Industry

AVERAGE MILK YIELD IN VARIOUS COUNTRIES

Average Milk Yield in 2008
(tonnes per cow per year)



Source: United States Department of Agriculture (USDA), www.usda.gov



With limited pasture land, China cannot continue to increase the number of cows to enhance its milk supply. Instead, it has to focus on genetics improvement to improve the quality of cows so as to raise the milk yield per cow.

As illustrated from the chart above, China has more to catch up in terms of milk yield.

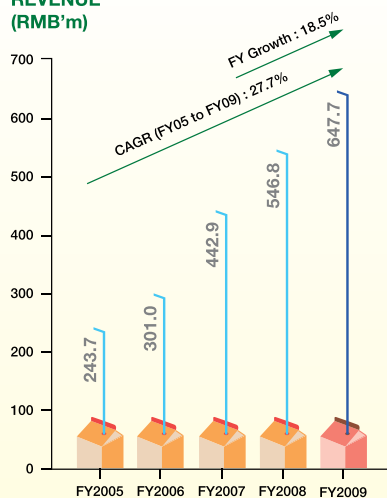
The Long-Term Solution - Modern Husbandry Techniques



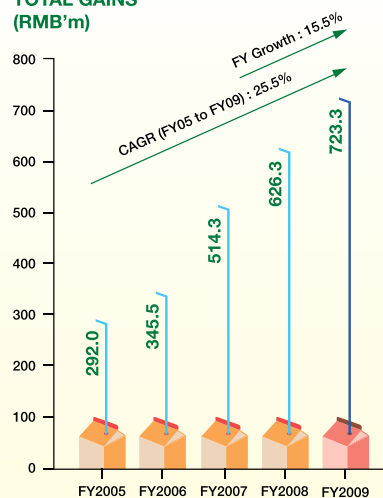
Industry-wide reforms as a result of the melamine incident have given rise to more stringent government controls on the quality of raw milk. This has led to higher costs of keeping dairy cattle. Hence, modern husbandry techniques remain the answer to increasing the overall milk quality, as well as milk yield of the cows in China.

Financial Highlights

**REVENUE
(RMB'm)**

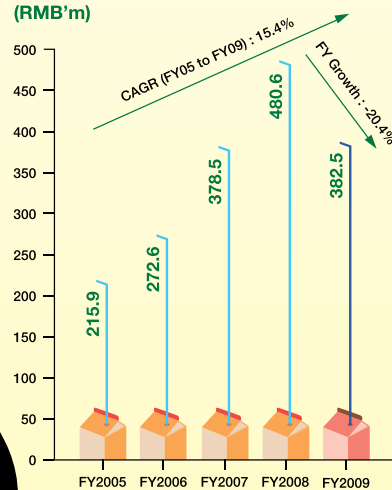


**TOTAL GAINS
(RMB'm)**



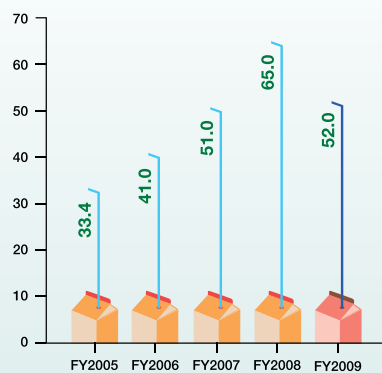
Note: Total Gains is the summation of fair value of agriculture produce on initial recognition & gains arising from changes in fair value of dairy live stock.

**NET PROFIT
(RMB'm)**

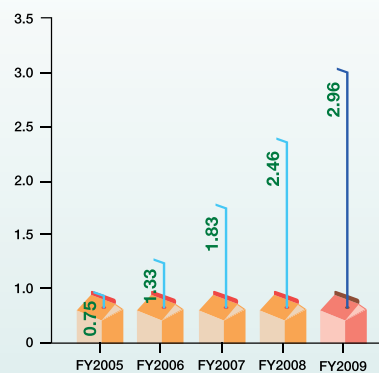




EARNINGS PER SHARE (BASIC) (RMB cents)



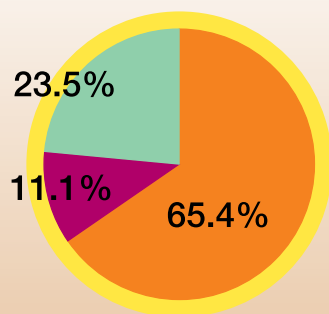
NET ASSET VALUE PER SHARE (RMB)



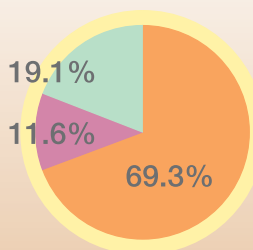
Basic EPS and NAV are calculated based on issued share capital of 738,600,000 ordinary shares

BREAKDOWN OF REVENUE BY AGRICULTURAL PRODUCE

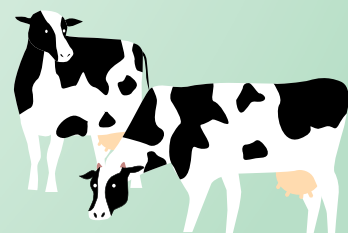
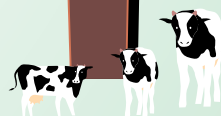
FY2009



FY2008



- Pedigree Bull Semen
- Pedigree Dairy Cow Embryos
- Raw Milk



Chairman & CEO's Message

**DESPITE THE NEGATIVE
CONSUMER REACTION
FROM THE MELAMINE
SCANDAL LAST SEPTEMBER,
CHINA MILK EMERGED
UNSCATHED AS A RESULT
OF THE STRICT QUALITY
PRODUCTION STANDARDS
THAT WE ADHERE TO.**



Liu Shuqing



Liu Hailong

Dear Shareholders,

For the full year ended 31 March 2009, our Group posted a relatively healthy performance, boosted by the strong, double-digit sales performance of our raw milk, pedigree bull semen and pedigree dairy cow embryos. Sales of our raw milk business jumped 45.4% to RMB152.1 million year-on-year, while that of pedigree bull semen grew by 11.7% to RMB423.5 million and cow embryos rose 14.3% to RMB72.1 million.

Despite the negative consumer reaction from the melamine scandal last September, China Milk emerged unscathed as a result of the strict quality production standards that we adhere to.

However, China's dairy industry is going through a season of change. Poor public confidence in some local brands had given opportunities for foreign brands to enter the market as they are perceived to be safer. Stricter government controls on raw milk quality has given rise to higher operating costs for farmers. As a result, farmers may scale down herd-size expansion, which may affect

demand for our pedigree bull semen and cow embryos.

Switching from OEM to Own Brand

In spite of these challenges, we are still cautiously optimistic that the industry will continue to reward dairy farms that produce high-quality, contaminant-free raw milk such as ours.

However, the outbreak of the melamine incident last September has also made it more arduous for China Milk to tap into the OEM processing business as most of the milk brands, especially those having their products tainted by melamine, have reduced their own production of milk products. As such, we have accelerated our strategy to build our own Yinluo brand instead of relying on the OEMs for our milk processing business segment. Detailed market research is now being carried out to help the Group develop our marketing strategies.

Herd Expansion Strategy

Cattle genetics remain the long-term solution to encourage the growth of China's dairy industry which is still plagued by inefficiencies in quality milk production. The Group's overall

improvement across all three product segments can be attributed to the Group's expanded herd size and improvement in its herd structure. As at 31 March 2009, our total herd size grew by a commendable 18.7% to 21,820, comprising 342 pedigree bull sires, 162 young sires, 21,218 dairy cows and 98 other males.

Of the dairy cows, the Australian breed recorded the highest growth, from 2,962 previously to 5,867 as the Group took delivery of 3,000 Australian Holsteins sourced in Heilongjiang in July 2008. The move was to counter the import ban of Canadian dairy cows as Australian Holsteins are known to have the second highest milk yield, after the Canadian breed. Going forward, China Milk will continue to expand its herd size through acquisitions and internal breeding.

Moving Ahead

As milk is a basic commodity that we can never live without, it would be reasonable to expect demand for raw milk to continue to remain stable, particularly since we have established ourselves as a reputable dairy company that supplies melamine-free raw milk.

This, we feel, is a very strong competitive advantage even as the entire dairy industry adjusts to more stringent quality controls from the PRC Government in the aftermath of the melamine scandal. This has led to higher costs of raising dairy cattle which is exacerbated by rising feed costs, forcing farmers to scale down or reduce the rate of increase in their herd size.

This may lead to some pricing pressure on the Group's pedigree bull semen and dairy cow embryo business. However, we believe that the demand for these two products will remain stable in the long-term given the shortage of good quality cows in China. With the increased focus on cattle genetics improvement to raise milk yield, our bull semen and cow embryos, which are of Canadian breed, will continue to be a vital part of breed improvement programmes in China.

Acknowledgments

We would like to take this opportunity to welcome our Independent Director, Mr Xie Xiaolai who joined the Board on 2 June 2008. Mr Xie is an associate professor in the Animal Science & Technology College at Northeast Agricultural University in the PRC and his experience in animal husbandry will add much value to the Board.

This has been a very challenging year for China Milk and we would like to record our appreciation to all of our fellow directors on the Board for their advice and commitment.

We would also like to thank all of you, our valued shareholders, for your continued support of China Milk.

Liu Shuqing

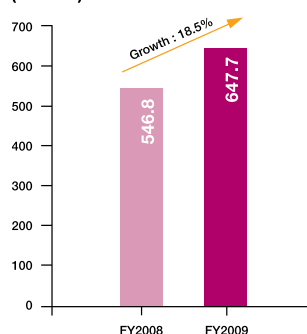
Executive Chairman

Liu Hailong

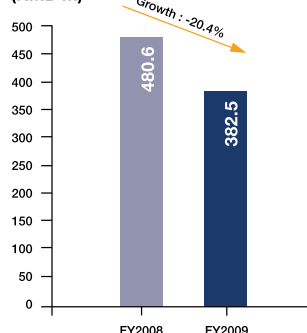
Chief Executive Officer

Management Review

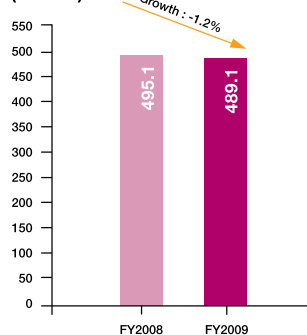
**REVENUE
(RMB'm)**



**NET PROFIT
(RMB'm)**



**PROFIT FROM OPERATIONS
(RMB'm)**



The year in a nutshell

FY2009 has been an eventful year for China Milk. While we were spared from the global economic downturn, primarily because milk is a basic commodity that cannot be fully substituted, the outbreak of the melamine incident in the PRC has rattled the confidence of many companies and consumers in the China dairy industry and resulted in an industry-wide reform.

Nevertheless, this incident has enabled China Milk to further cement our reputation as a supplier of quality raw milk as our raw milk has been certified

melamine-free by the Daqing Bureau of Products Quality Supervision and Inspection (大庆市产品质量监督检验所), a government laboratory accredited by the Heilongjiang Bureau of Quality and Technical Supervision (黑龙江省技术监督局).

As a testament of the industry's confidence in our products' quality, the Group has once again posted a year of robust sales. For the year ended 31 March 2009, total revenue grew 18.5% to RMB647.7 million, from RMB546.8 million a year ago. This was mainly attributable to the Group's increased herd size and production.

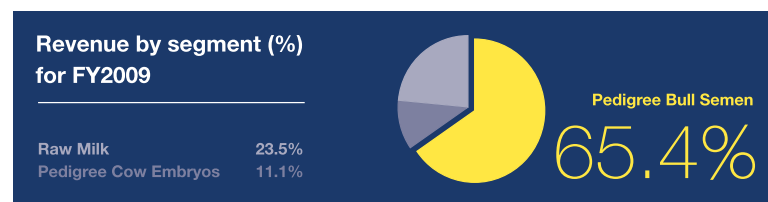
However, full year net profit declined 20.4% to RMB382.5 million, largely impacted by a decrease in the fair value of derivative financial instruments, relating to our convertible bonds, of RMB12.7 million, as well as finance costs amounting to RMB94.0 million. Both of these items are non-performance related.



Operating Profit			
RMB'm	FY2009	FY2008	Change
Net Profit	382.5	480.6	-20.4%
Non performance related costs			
Finance costs	94.0	91.5	
Change in fair value of derivative financial instruments	12.7	(76.9)	
Operating Profit	489.1	495.1	-1.2%

A review of our performance

Revenue by segment			
RMB'm	FY2009	FY2008	Change
Raw Milk	152.1	104.6	45.4%
Pedigree Bull Semen	423.5	379.1	11.7%
Pedigree Cow Embryos	72.1	63.1	14.3%
Total	647.7	546.8	18.5%



The sale of pedigree bull semen remains our most significant core business, contributing 65.4% of our total revenue. Revenue from this segment increased 11.7% to RMB423.5 million, from RMB379.1 million the year before.

Despite the melamine incident during the year in review, the sale of raw milk registered the highest growth at 45.4%, from RMB104.6 million in FY2008 to RMB152.1 million this year, representing 23.5% of total revenue.

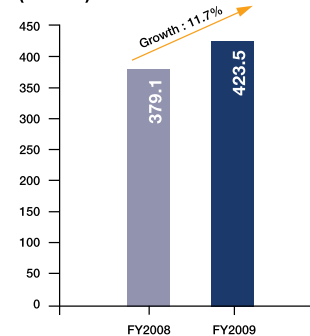
The sale of pedigree cow embryos, which contributed 11.1% of total revenue, rose 14.3% to RMB72.1 million, compared to RMB63.1 million last year.

Once again, these demonstrate the strong demand for all our products,

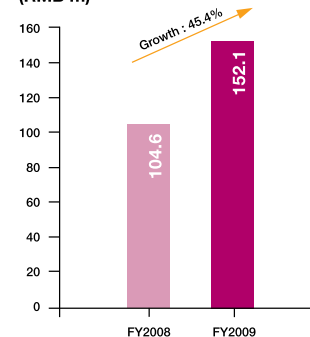
which we attribute to our highly-prized cattle and quality control process. Our pedigree bull semen and cow embryos are of the Canadian Holstein breed, which has the highest milk yield. At the same time, our dairy cows, which are Holsteins of Canadian, Australian and Chinese origins, are fed with specially blended feedstuffs that enhance the herd's nutritional needs, thereby ensuring the quality of raw milk produced.

Overall, the double-digit sales growth across all three product segments would not have been achieved without the Group's expanded herd size. As at 31 March 2009, our total herd size grew to 21,820, representing an 18.7% rise from 18,390 a year ago. This comprised 342 pedigree bull sires, 162 young sires, 21,218 dairy cows and 98 other males.

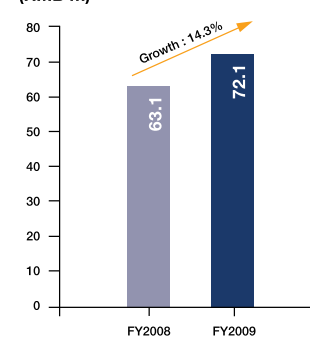
SALE OF BULL SEMEN (RMB'm)



SALE OF RAW MILK (RMB'm)



SALE OF COW EMBRYOS (RMB'm)



Management Review

Herd Size	As at 31 Mar 2009	As at 31 Mar 2008	Change
Pedigree Bull Sires	342	269	27.1%
Young Sires	162	46	252.2%
Other Males	98	118	-16.9%
Dairy Cows	21,218	17,957	18.2%
Total Herd Size	21,820	18,390	18.7%



At China Milk, we believe that effective herd management is important to our business as it helps to maintain or even raise our productivity. The composition of our dairy livestock is approximately 24% immature cattle and 76% mature cattle. Cattle generally mature at the age of 18 months and they are productive until after 8 to 10 years of age.

To optimise the productivity of our herd, we sell our cattle before their productivity deteriorates and their value depreciates. The reduction in herd size due to sales is offset by reproduction and purchase of cattle of a high quality breed.

Total gains, which comprised fair value of agricultural produce and gains arising from changes in fair value of dairy livestock, rose 15.5% to RMB723.3 million in FY2009 from RMB626.3 million in FY2008.

Gains from changes in fair value of dairy livestock fell 35.1% from RMB65.3 million in FY2008 to RMB42.4 million this year. Changes in fair value represent the changes in the physical state of maturity of the cattle, from immature cattle to mature/milk productive cattle. During the year, we had fewer cattle that went through this change in maturity state, partly due to our import of 3,000 mature Australian Holsteins in July 2008.



Fair value of agricultural produce grew 21.4% from RMB560.9 million last year to RMB681.0 million in FY2009, due to the increased production of (i) pedigree bull semen by 16.6% to approximately 6.2 million straws, (ii) raw milk by 16.1% to 47,940 tonnes, and (iii) dairy cow embryos by 12.8% to 36,900 straws.

However, in line with our increased herd size and production, operating costs correspondingly went up. Staff



costs grew 14.7% to RMB30.3 million due to increased headcount arising from the expanded operations, while raw materials and consumables jumped 24.2% to RMB114.4 million as a result of our larger herd size and increase in feed costs. Other operating expenses, which relate to insurance, utilities and repairs and maintenance, rose 62.3% to RMB38.5 million due to our heightened level of activities. Depreciation and amortisation surged 76.5% to RMB29.9 million as we acquired new facilities, such as cow sheds and milk processing facilities.

During the year in review, we also incurred sub-contracting expenses which arose largely from the additional farms we leased this year. We have a total of 21 farms to date. In addition to renting the farms, these lease agreements include usage of the farms' facilities, manpower and feeds, giving rise to the sub-contracting costs.

The increase in the above expenses, coupled with the decline in fair value of the derivative component of the convertible bonds of RMB12.7 million

as well as finance costs of RMB94.0 million, have resulted in a drop in our FY2009 profit before tax or net profit by 20.4% to RMB382.5 million.

China Milk is exempted from income tax as our subsidiary Daqing Yinluo Dairy Co., Ltd ("Yinluo") has been conferred the National Leading Enterprise status in the agricultural and farming industry. This status exempted Yinluo from corporate income tax in previous years. In the current year, under the PRC new corporate income tax law, Yinluo is engaged in qualifying agricultural business and is still entitled to full exemption of corporate income tax.

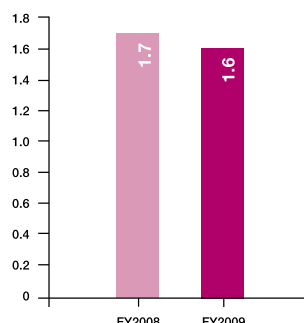
Balance sheet overview

On a more positive note, we have ended yet another year with a healthy cash balance. As at 31 March 2009, we have a cash and bank balance of RMB1.6 billion. As our loyal shareholders, you will be pleased to know that we have put this cash to good use by repurchasing a portion of our US\$150 million convertible bonds,

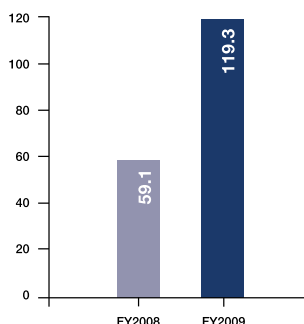


Management Review

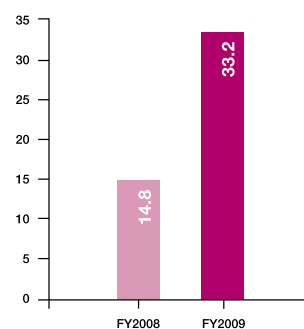
CASH AND BANK BALANCES
(RMB'bil)



TRADE RECEIVABLES
(RMB'm)



INVENTORIES
(RMB'm)



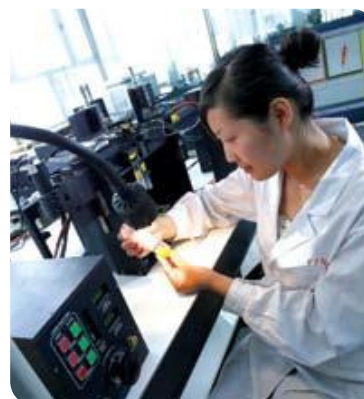
which the Group issued in January 2007, thus reducing our liabilities.

The Group had, on 14 April 2009, repurchased US\$3 million worth of convertible bonds via a bond tender offer at 95% of the principal amount. Subsequently, on 20 April 2009, the Group made another repurchase of US\$0.8 million worth of convertible bonds from the open market, at 95% of the principal amount. These transactions have reduced our outstanding convertible bonds to US\$146.2 million.

Our trade receivables balance as at 31 March 2009 increased by RMB60.2 million to RMB119.3 million, due to the growth in sales as well as slower repayments by some of our customers who were facing tighter cash flow. Nevertheless, approximately two-thirds of this balance has been subsequently received.

Our inventories balance also saw an upward trend, rising from RMB14.8 million in FY2008 to RMB33.2 million this year. This increase was due to the lower sales of our pedigree bull semen and cow embryos during the fourth quarter of FY2009. The higher costs of keeping dairy cattle, as a result of the industry-wide reforms arising from the melamine incident, along with high feed costs, has forced some farmers to reduce or stop the rate of increase in their herd size. This in turn affected the demand for our pedigree bull semen and cow embryos.

However, as frozen straws of pedigree bull semen and cow embryos can be stored for a long period of time,



we do not face an issue with inventory obsolescence. Further, as our Executive Chairman and CEO shared in their message, our Group is confident in the long-term prospects and demand for these two products given the shortage of good quality cows in China.

Prepayments and other receivables also registered a jump from RMB5.4 million to RMB370.3 million in FY2009 due to the prepayment of sub-contracting costs and advancement for repurchase of convertible bonds. Property, plant and equipment grew 20.6% to RMB569.8 million, attributable to our recently acquired facilities, consistent with the increase in depreciation expenses.

Trade payables, accrued liabilities and other payables increased by RMB15.5 million to RMB47.0 million, in line with our expanded operations and business. Amount due to a director, which comprised mainly dividends payable to our Executive Chairman in FY2008, was fully repaid during this financial year.



Cash flow summary

As with previous years, our expansion in FY2009 has been financed mainly from cash generated from operating activities.

As at 31 March 2009, our Group is in a net cash position of RMB1.6 billion, with a summary of our cash flows as follows:

Cash Flow	FY2009 (RMB' million)
Net cash generated from operating activities	350.7
Net cash (used in) investing activities	(112.6)
Net cash (used in) financing activities	(328.9)
Net (decrease) in cash and cash equivalents	(90.8)
Effect of foreign exchange rates changes, net	(14.4)
Cash and cash equivalents at beginning of year	1,736.7
Cash and cash equivalents at end of year	1,631.5

We generated a net cash inflow of RMB350.7 million from operating activities, comprising operating profit before changes in working capital of RMB466.9 million and working capital outflow of RMB116.2 million. Changes in working capital were largely due to the increase in inventories of RMB18.3 million, growth in trade receivables of RMB60.2 million, and surge in prepayment and other receivables by RMB43.5 million.

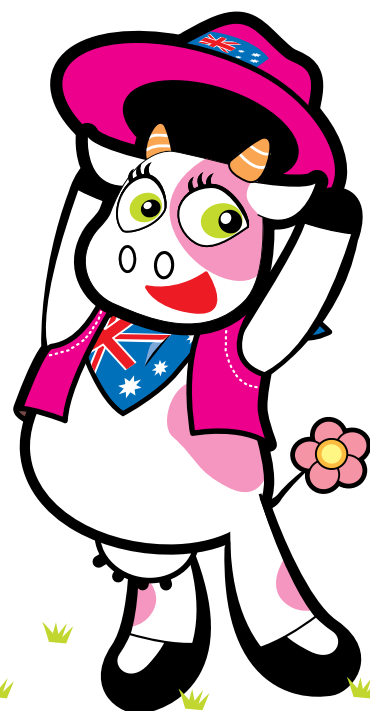
Net cash outflow from investing activities arose largely from our increase in property, plant and equipment of RMB111.6 million and the purchase of Australian Holsteins for RMB88.1 million.

Net cash used in financing activities relate largely to our convertible bonds repurchase. The initiation of the repurchase transactions required

an advancement which was to be deposited with our Dealer Manager, ABN Amro Bank, amounting to RMB275.1 million. Such repurchase activities were completed by mid April 2009, and the unutilised amount was since deposited back to our Group's bank balance.

Looking ahead

The year ahead will be a busy yet exciting time for China Milk as we seize new opportunities in an industry that continues to experience strong demand for quality, contaminant-free milk products. We will continue with our focus on enhancing productivity via continuous improvement in our herd structure and expansion of our pedigree herd size, as we always have.



Board of Directors



From top left to bottom right

Mr Liu Shuqing • Mr Liu Hailong • Mr Liu Litao • Mr Xie Xiaolai • Mr Loo Choon Chiaw • Mr Sum Yee Loong

MR LIU SHUQING

Executive Chairman

Mr Liu Shuqing is the Executive Chairman and the Founder of the Group, and was appointed to the Board on 20 September 2005. He is responsible for the strategic development and management of the Group.

Mr Liu brings to the Board over 30 years of livestock husbandry and management experience, having started his career as a section member at Wushang Livestock Farming Bureau in September 1974. In August 1978, he worked as a supervisor at Wushang Trade Bureau for eight years, before becoming a supervisor at Song Hua Jiang Chuan Shu Zhu Wushang City Liaison Office for almost a year. In June 1987, he worked as a supervisor at Daqing Harbin Song Hua Jiang Commodity Agency and in October 1989, he joined Daqin City Liqing Processing Factory as its general manager. In March 1995, he worked as general manager at the Huanggong Hotel. In November 1998, he became the director of Daqing Real Estate, a position which he presently still holds. He is also currently a director and general manager of Yinluo, positions which he held since 2001.

Mr Liu graduated from Heilongjiang August First Land Reclamation University with a degree in veterinary medicine in August 2000. Mr Liu is also the vice-chairman of the China Dairy Association and a committee member of the China Animal Agriculture Association. Mr Liu is the father of Mr Liu Hailong.

MR LIU HAILONG

Chief Executive Officer

Mr Liu Hailong is the Chief Executive Officer of the Group, and was appointed to the Board on 20 September 2005. He is responsible for the overall management and assists the Executive Chairman in the strategic development of the Group.

Mr Liu started his career in October 1989 as deputy general manager at Daqin City Liqing Processing Factory. In March 1995, he became the deputy general manager of Huanggong Hotel, before moving on to the position of deputy general manager in November 1998 at Daqing Real Estate. He is currently a director and deputy general manager of Yinluo, positions which he held since 2001.

Mr Liu graduated from Heilongjiang August First Land Reclamation University with a degree in veterinary medicine in August 2002. Mr Liu is the son of Mr Liu Shuqing.

MR LIU LITAO

Non-Executive Director

Mr Liu Litao is our Non-Executive Director and was appointed to the Board on 28 December 2005.

Mr Liu started his career as an operations officer at Heilongjiang Niangyou Foodstuff Trade Group Company, Dalian Branch from July 1989 to November 1991. He later became deputy general manager at Heilongjiang Niangyou Foodstuff Trade Group Dalian Longhua Zhipin Co., Ltd. for two years, and in November 1993, he became the manager overseeing operations, business and administration management at the future department of Heilongjiang Niangyou Foodstuff Trade Group Company, Dalian Branch. He held this position for approximately 10 years, before assuming his present position of deputy general manager at Dalian Xuelong Industry Group Company in May 2004.

Mr Liu majored in food engineering at Tianjin Qingong Industry University and graduated in July 1989.

MR XIE XIAOLAI

Non-Executive Director

Mr Xie Xiaolai is our Non-Executive Director and was appointed to the Board on 2 June 2008.

In 1993, Mr Xie started his academic career as an assistant professor for the Animal Science & Technology College at Northeast Agricultural University (东北农业大学动物科技学院). He became a lecturer of the University in 1998 and subsequently an associate professor in 2005. Mr Xie also holds the position of deputy head of Fieldwork and Experiments Base at the University since 2004.

He possesses a PHD degree and is a supervisor of master students in Animal Nutrition and Feed Technology. He is also a member of the 7th standing committee of Heilongjiang Association of Livestock Husbandry and Veterinary (黑龙江省畜牧兽医学会第七届常务理事), a member of Livestock Genetics Resources Committee of Heilongjiang (黑龙江省畜禽遗传资源管理委员会), and governor of Sheep Breeding Association of China (中国养羊学会理事).

In 2006, Mr Xie received the 2nd Award of Jilin Province Science and Technology Advancement (2006吉林省科技进步二等奖) for his research in the "Study on Sheep In-door Feeding and Half In-door Feeding Technology and Commercialisation" (肉羊舍饲、半舍饲养殖关键技术研究产业化示范), under the National 10th Five-Year Key Technological Project (国家“十五”科技攻关项目) in 2006. He was also given the 1st Award of Science and Technology Advancement (黑龙江省畜牧兽医局科技进步一等奖) by Heilongjiang Bureau of Livestock Husbandry and Veterinary for his participation in the 9th and 10th Five-Year Key Technological Project (黑龙江省“九五”、“十五”科技攻关项目).

MR LOO CHOON CHIAW

Independent Director

Mr Loo Choon Chiaw is our Independent Director and was appointed to the Board on 28 December 2005.

He has been an advocate and solicitor of the Supreme Court of Singapore since 1981. He is the Managing Partner of Loo & Partners LLP, a law firm in Singapore. He qualified as a Barrister-at-Law of Lincoln's Inn, London and obtained his Master of Law degree from the University of London. He is a fellow of the Chartered Institute of Arbitrators, London, and a member of the Panel of Arbitrators of the Beijing Arbitration Commission and the Wuhan Arbitration Commission.

Mr Loo also sits on the board of several other companies listed on the Singapore Exchange.

MR SUM YEE LOONG

Independent Director

Mr Sum Yee Loong is our Independent Director and was appointed to the Board on 28 December 2005.

Mr Sum brings to the Board over 20 years of experience in matters of tax advisory, beginning his career at Deloitte & Touche as its senior tax manager in 1984. He was later promoted to the firm's director of taxes, a position which he currently holds. From 1989 to 2003, he also lectured in courses relating to taxation at the Nanyang Technological University as an associate professor (adjunct). He is currently an associate professor (adjunct) at the Singapore Management University, having lectured there since 2004.

Mr Sum was conferred a Master of Science degree in Fiscal Studies by the University of Bath (United Kingdom) in December 1981. He is a fellow of the Chartered Association of Certified Accountants, United Kingdom, a chartered tax adviser of the Chartered Institute of Taxation (UK), a certified public accountant of the Institute of Certified Public Accountants of Singapore and was appointed as a member to the Taxation & Levies Committee of the Institute of Certified Public Accountants of Singapore since 1989.

Key Management

Ms Li Yuxia

Deputy Chief Executive Officer
(Administration)

Ms Li is the Deputy CEO (Administration) of our Group, and is responsible for assisting the CEO in the formulation of business strategies and the general administration of the Company.

Ms Li brings to the Company more than 20 years of experience in foreign trade and administration. Ms Li worked as a lecturer at the Hangkong Hangtian University (航空航天大学) for over four years from September 1978. From 1982 to 1985, she was employed at the Foreign Economical Trade University, Audio-visual Department as an office worker. She later became the third secretary to the Secretary of Trade in the Embassy of the People's Republic of China in Madagascar from 1985 to 1988, before returning to become the deputy director of the Foreign Economical Trade University, Audiovisual Department from 1988 to 1991. She later became the general manager of the China Light Industries Trade Co. (Zhongqing Riyong Wujin Trade Co.) for the next seven years. From 1998 to 2001, she became the first secretary of Economic Division in the Embassy of the People's Republic of China in Singapore. In 2001, she pursued personal interests for about three years before joining the Group in April 2004.

Ms Li graduated from University of Jilin in 1978 with a bachelor's degree in international trade, and is also an accredited high level international commerce teacher since 1995.

Mr Tang Hua Jing

Deputy General Manager

Mr Tang joined China Milk in June 2007 as the Deputy General Manager of our Group. Bringing with him more than 20 years of experience in the dairy products industry, Mr Tang is responsible for managing the expansion and growth of China Milk's businesses.

He started his career in 1986 at Heilongjiang Wandashan Dairy Joint Stock Limited Company (黑龙江完达山食品厂) as a technician responsible for managing and maintaining the machinery for the production of dairy products. He was promoted to assistant engineer in 1988. In 1990, Mr Tang embarked on the management of Wandashan's liquid milk process design.

In 1992, he was promoted to engineer and plant manager of Wandashan's dairy production arm (黑龙江完达山食品厂饮料分厂). In 1996, Mr Tang became the overall manager of the unit (黑龙江完达山乳品有限公司饮料分公司). Mr Tang rose up the ranks in Heilongjiang Wandashan Group to become the General Manager and Vice President of Sales of Wandashan Harbin Dairy Products Co. Ltd in 2003, and in 2006, he became the Assistant General Manager of a joint venture company of Wandashan.

Mr Tang graduated in 1986 from the Heilongjiang Agricultural Vocational and Technical Institute (黑龙江农垦机械学院).

Mr Choi Ho Yan

Chief Financial Officer

Mr Choi Ho Yan is the Chief Financial Officer of our Group. He oversees the investor relations programme of the Group, as well as the accounting and financial functions.

Before joining the Group in September 2004, Mr Choi was an accountant at Ernst & Young for six years, moving from the positions of staff accountant to senior accountant, and overseeing audit work for projects related to initial public offerings of several companies, as well as other related work for listed companies.

Mr Choi graduated from the University of Hertfordshire of United Kingdom with a Bachelor of Accounting degree in 1998, and is also a member of the American Institute of Certified Public Accountants since 2003.

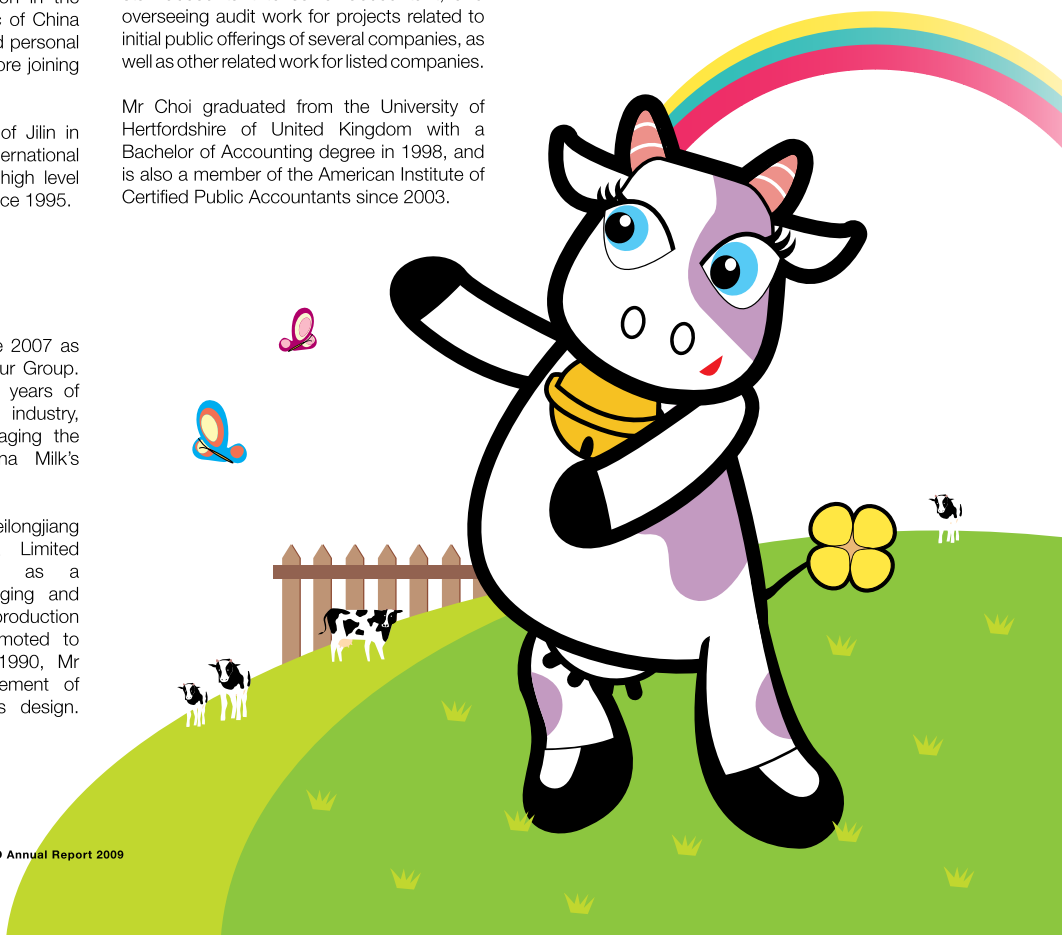
Mr Lou Zhi Guo

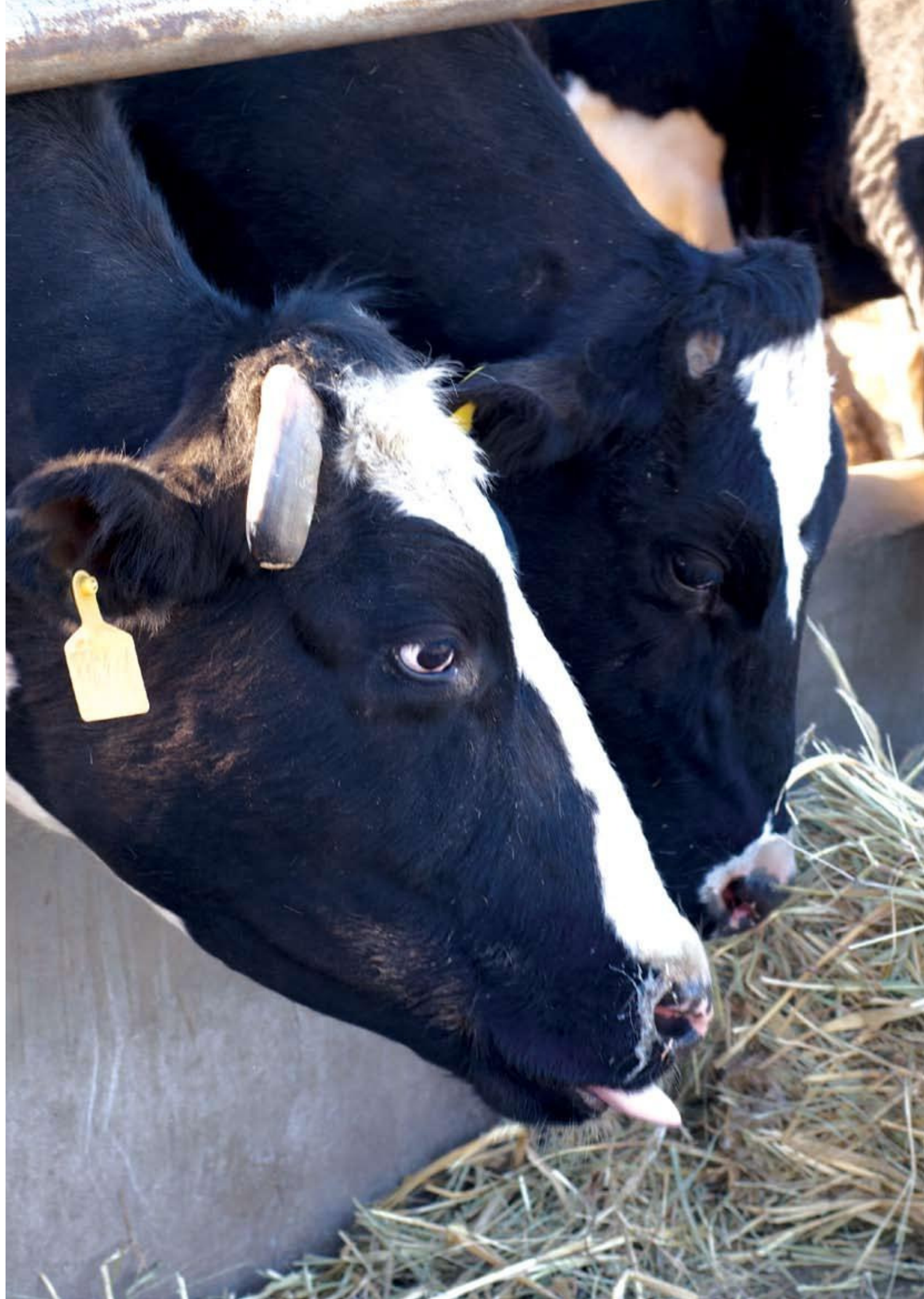
Embryo Transplant and Farm
Management General Manager

Mr Lou joined China Milk in 2001 and was promoted to Embryo Transplant and Farm Management General Manager in 2007. He is responsible for overseeing the general operations of the Group, including the general management of our farms and embryo transplant workshop.

Before joining the Group, Mr Lou worked in Heilongjiang Daqing Enterprises Corporation (黑龙江省大庆市三环企业) between 1992 and 1996, Daqing Imperial Hotel (大庆市皇宫饭店) between 1996 to 1999, and a property development firm in Daqing between 1999 and 2001.

Mr Lou graduated from Heilongjiang Agricultural Technical School (黑龙江省农业机械化学学校) in 1992.





Risk Factors & Management

Business Risk

Animal husbandry, as with raising other livestock, is susceptible to disease and infection. The Group has a comprehensive health management and quarantine system for our operations to ensure consistently high standard of healthcare and hygiene management for our dairy cattle.

Our business is highly dependent on the health and physical condition of our herd. Sickness or disease infection may lower the weight, milk yield and reproduction capability of our cows as well as the quality and quantity of the semen produced by our sires. We have in place stringent health management and hygiene control measures, which encompass the critical processes of processing and collection of bull semen and embryos, milking of dairy cows, the sanitisation of cattle sheds and farms, as well as the monitoring of the health condition of our herd and staff.

Operational Risk

Operational risk is the potential loss caused by a breakdown in internal processes, deficiencies in people and management, or operational failure arising from external events.

Our cattle are reared in farms located in the Heilongjiang Province in the PRC. Natural calamities such as drought, snowstorm, flood or other natural disasters would have a significant adverse effect on our operations and business if there is significant loss of our livestock or damage to our facilities that would disrupt our production processes.

We cultivate our own crops to support a substantial portion of the feeds required for our herd. In the event that our harvest of feeds is affected by extreme weather or other natural disasters, we will have to source alternatively for such feeds from other suppliers, and may thus be subjected to higher costs.

We have insurance against claims arising from general risks, property damage, disability claims and loss of livestock. Some examples include workmen insurance for our employees in a specific proportion governed by the relevant PRC regulations, insurance for our Group's cattle against damage caused by diseases and accidents, and property all-risks insurance for our Group's fixed assets against damage caused by certain accidents. Our Directors believe that these insurance policies are adequate for our business and operations and will review our coverage annually.

Product Risk

We may be exposed to product liability claims for our produce, namely, raw milk, pedigree bull semen and pedigree dairy cow embryos. If our products do not meet the requirements of our customers, we may be liable for claims brought by our customers. To maintain the quality of our produce, we will continue to enforce stringent checks on our production process.

Investment Risk

We intend to continue expanding our existing operations by acquiring more cattle and setting up new production facilities and expanding into the business of production of

dairy products. The execution of our expansion strategy will depend on our ability to continue to implement and improve operational, financial and management systems on a timely basis and expand, train, motivate and manage our workforce. Our management team possesses the relevant industry experience, in-depth knowledge of, and expertise in dairy cow rearing and breeding.

Foreign Exchange Risk

Our revenue is primarily derived in the PRC. Accordingly, our results are subject to exchange controls in the PRC, and are required to comply with the PRC foreign exchange restrictions when we transfer funds from our PRC subsidiary to our Group companies outside the PRC (whether in the form of dividends or not). There are no exchange control regulations or currency restriction in the Cayman Islands and Singapore.

Credit Risk

Credit risk is managed through the application of credit approvals, setting credit limits and monitoring procedures. The Group's cash balances are placed with banks and financial institutions which are regulated.

Our major customers of pedigree bull semen and cow embryos include various government livestock bureaus and governmental entities in the PRC, while customers for raw milk are mainly dairy product manufacturers in Heilongjiang such as Heilongjiang Red Star Group and Heilongjiang Wandashan Dairy. It is the Group's policy to widen our customer base through the growth and diversification

of our products and markets. It is also our strategy to diversify our sources of supply of raw materials in order to spread our risks and reduce reliance on any particular supplier.

Generally, most of our raw milk and calves are sold on a cash-on-delivery basis with no credit period extended to them. For the sale of raw milk, we enter into a master supply agreement with our customer on an annual basis where the selling price of raw milk and the volume to be supplied are agreed. We collect a deposit in advance, which will be applied towards payment for the raw milk supplied to them. When such deposits are depleted or the amount of orders exceed the deposit on hand, we will notify our customers to pay further sums of deposit before confirming our supply to them. For customers purchasing pedigree bull semen or dairy cow embryos, we usually extend a credit period of up to 60 days.

Interest rate Risk

The Group does not have significant exposure to interest rate risk in respect of the Group's convertible bonds as they are stated at amortised cost.

Liquidity Risk

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.



Corporate Information

BOARD OF DIRECTORS

Executive

Mr Liu Shuqing
Executive Chairman
Mr Liu Hailong
Chief Executive Officer

Non-Executive

Mr Liu Litao
Non-Executive Director
Mr Xie Xiaolai
Non-Executive Director

Independent and Non-Executive

Mr Loo Choon Chiaw
Lead Independent Director
Mr Sum Yee Loong
Independent Director

JOINT COMPANY SECRETARIES

Mr Choi Ho Yan, BA (Hons)
Mr Ng Joo Khin, LLB (Hons)

LEGAL ADVISERS TO THE COMPANY

On Hong Kong Law
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place Central
Hong Kong

On Cayman Islands Law
Conyers Dill & Pearman
50 Raffles Place #18-04
Singapore Land Tower
Singapore 048623

AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark,
15 Queen's Road Central
Hong Kong
Partner in charge: Mr Lo Ngai Hang
(appointed since 2006)

AUDIT COMMITTEE

Mr Sum Yee Loong
Chairman
Mr Liu Litao
Mr Loo Choon Chiaw

NOMINATING COMMITTEE

Mr Loo Choon Chiaw
Chairman
Mr Liu Litao
Mr Sum Yee Loong

REMUNERATION COMMITTEE

Mr Loo Choon Chiaw
Chairman
Mr Sum Yee Loong
Mr Xie Xiaolai

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL OFFICES

North Band 104 Farm
Daqing High-Tech Development Zone
Daqing, Heilongjiang Province
People's Republic of China 163316

Suite 611, Tower E1
Oriental Plaza
No.1 East Chang An Avenue
Dong Cheng District, Beijing
People's Republic of China 100738

CAYMAN ISLANDS SHARE REGISTRAR

Codan Trust Company
(Cayman) Limited
Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681GT
George Town, Grand Cayman
Cayman Islands
British West Indies

SINGAPORE SHARE TRANSFER AGENT

Tricor Barbinder Share Registration
Services
(A division of Tricor Singapore Pte Ltd)
8 Cross Street #11-00
PWC Building
Singapore 048424

PRINCIPAL BANKERS

Bank of Communications
China Construction Bank
Standard Chartered Bank

WEBSITE

www.chinamilkgroup.com

STOCK CODE

The Singapore Exchange Trading
Limited: 2539

Corporate Governance Report

The Board of Directors (the “**Board**”) and management of the Group (the “**Management**”) are committed to continually enhancing shareholder value by promoting corporate transparency and maintaining high standards of corporate governance. This corporate governance report sets out the Company’s corporate governance practices and processes for the financial year ended 31 March 2009 (“**FY2009**”), with specific reference to the guidelines and principles of the Code of Corporate Governance 2005 (the “**Code**”) issued by the Singapore Corporate Governance Committee and the relevant sections of the Listing Manual (“**Listing Manual**”) issued by the Singapore Exchange Securities Limited (“**SGX-ST**”).

This report, broadly adhering to the structure of the Code, is organised according to the following sections:-

I	Board Matters
II	Remuneration Matters
III	Accountability and Audit
IV	Communication with Shareholders
V	Dealings in Securities

I. BOARD MATTERS

(Principles 1, 2, 3, 4, 5 and 6 of the Code)

Board’s Conduct of its Affairs

The Board’s primary duty is to ensure that the Company is managed in the best interests of shareholders as a whole while taking into account the interests of other stakeholders, and at the same time not losing track of its viability.

Broadly, the principal functions of the Board include, among others:

- reviewing and approving the Group’s overall strategic direction as developed and recommended by the Management, and ensuring that corporate actions and investments are consistent with these long-term strategic goals;
- ensuring the Company is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- providing oversight in ensuring that the Company’s activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the Company’s accounting and financial reporting systems, disclosure controls and procedures, internal controls and risk management systems;
- reviewing transactions entailing any material acquisitions or disposals of assets; and
- assuming overall responsibility for corporate governance.

Certain matters must always be subject to review and approval by the Board. These include:

- approval of quarterly results announcements and annual accounts;
- declaration of interim dividends and final dividends;
- convening of meetings of shareholders;
- approval of Company’s strategy and policies;
- material acquisitions or disposals;
- transactions concerning a conflict of interest regarding a substantial shareholder or a director, or in any interested person transactions;
- appointment of new Directors; and
- corporate or financial restructuring.

Corporate Governance Report (continued)

Other matters are delegated to Board committees whose actions are subject to the monitoring of the Board. Please refer to the section “**Board Committees**” below for further details.

The Board meets at least on a quarterly basis and ad-hoc meetings are convened as and when circumstances require. The Company's Articles of Association provides for Directors to participate in Board and Board committee meetings by means of conference telephone, video conferencing or audio visual equipment. At these meetings, the Board will review the financial performance of the Company, including the quarterly, half-yearly and full-year results as appropriate, the Company's internal policies and procedures and significant transactions. The Board also oversees the business affairs of the Company and approves, if applicable, any financial and business objectives and strategies.

Prior to the Board meetings, the financial and operating reports are provided to the Board for them to effectively review performance in the most recent quarter as a guidance of any matter that necessarily requires Board approval. Professional auditors and management are also required to update Directors promptly about newly amended laws and regulations that might affect the Company and its decisions.

The Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying circular resolutions are required to be comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made. All proceedings from Board and Committee meetings are minuted and signed by the respective Chairman of the meetings.

All Board decisions require the approval of at least 75% of the Directors present and voting. Any agreement or arrangement that is not in the ordinary course of business of the Company must be approved by the Board before it is transacted.

There is a clear division of responsibilities in the top management with clearly defined lines of responsibility between the Board and executive functions of the management of the Company's business. The Board is assisted by experienced and qualified executive officers of the Company.

Board Composition and Guidance

Presently, the Board consists of six (6) members comprising the following Directors:

Name	Position	Date of First Appointment	Date of Last Re-election
Mr Liu Shuqing	Executive Chairman	20 September 2005	18 July 2007
Mr Liu Hailong	Executive Director and CEO	20 September 2005	30 July 2008
Mr Liu Litao	Non-Executive Director	20 September 2005	14 July 2006
Mr Xie Xiaolai	Non-Executive Director	2 June 2008	30 July 2008
Mr Sum Yee Loong	Independent Director	20 September 2005	14 July 2006
Mr Loo Choon Chiaw	Independent Director	20 September 2005	14 July 2006

A brief profile of each Director is presented in the Profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 21 April 2009 are disclosed in the Directors' Report of the Audited Financial Statements for the financial year ended 31 March 2009.

As defined in the Guidelines of the Code, all four of our non-executive Directors, namely Mr Liu Litao, Mr Xie Xiaolai, Mr Loo Choon Chiaw and Mr Sum Yee Loong are considered as independent, each having no relationship with the Company that would otherwise cause them to be deemed not to be independent. There is therefore a strong and independent element on the Board.

Given the scale of the Company and the complexity of the business, the size of the Board will be reviewed from time to time to ensure that it can provide the optimum balance to facilitate effective decision making. Currently, taking into account the scope and nature of the operations of the Company, the Board considers that the current size of six Directors to be adequate for effective decision making, with a good balance between executive and non-executive Directors.

Each Director has been appointed on the strength of his calibre and experience, with the Board having used its best efforts to ensure that each Director possess the background, experience and knowledge in technology, finance, business and/or management skills critical to the Company's business, and that the core competencies critical for the Board to arrive at well-considered and sound decisions have been covered as a whole. Such core competencies include accounting, finance, strategic ability, business acumen, management experience and depth, understanding of industry and customer, familiarity with regulatory requirements, and knowledge of risk analyses and control.

Board Committees

The Board has established specific committees to assist in the efficient implementation of its functions, namely, the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”). Specific responsibilities have been delegated to each of the committees. These committees function within clearly defined terms of reference and operating procedures, and each committee has been delegated with specific responsibilities. These terms of reference, operating procedures and responsibilities are reviewed on a regular basis. For FY2009, the Board committees were tasked with the following, among others:

- the AC supervises the Group's internal control procedures and interacts with the external auditor to ensure full compliance with the law and regulations governing accounting standards and financial reporting;
- the NC assesses the Director independence and, if necessary, is to conduct a systematic search for candidates and review all nominations to the Board; and
- the RC oversees compensation policies and management development.

Corporate Governance Report (continued)

The composition of each of the committees is as follows:

Audit Committee

Mr Sum Yee Loong (Chairman)
Mr Loo Choon Chiaw
Mr Liu Litao

Remuneration Committee

Mr Loo Choon Chiaw (Chairman)
Mr Sum Yee Loong
Mr Xie Xiaolai

Nominating Committee

Mr Loo Choon Chiaw (Chairman)
Mr Sum Yee Loong
Mr Liu Litao

In FY2009, the Board and the AC held a total of four meetings while the RC and the NC held one meeting. The attendance details of the Directors and Board and committees meetings are set out below:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
Name of directors	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Liu Shuqing	4	4	–	–	–	–	–	–
Mr Liu Hailong	4	4	–	–	–	–	–	–
Mr Liu Litao	4	4	4	4	–	–	1	–
Mr Xie Xiaolai	4	–	–	–	1	–	–	–
Mr Loo Choon Chiaw	4	4	4	4	1	1	1	1
Mr Sum Yee Loong	4	4	4	4	1	1	1	1

Chairman and Chief Executive Officer

Mr Liu Shuqing, the Chairman, is the father of Mr Liu Hailong, the Chief Executive Officer (“CEO”). Consistent with Principle 3 of the Code, the roles and responsibilities of the Chairman and the CEO are separate, serving to institute an appropriate balance of power and authority. The Chairman’s primary function in the Board is to manage the business of the Board and the Board committees, and to promote harmonious relations between the Board and the shareholders. The Chairman leads the Board and is responsible for its workings and proceedings, including facilitating effective contribution from non-executive Directors. He plays a crucial role in fostering effective communication with shareholders. The CEO oversees the execution of the Company’s corporate and business strategies and policies, and the day-to-day conduct of its business.

Board Membership

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals in at least every three years. In this regard, the NC plays an essential role as it is responsible for (i) re-nomination of members of the Board having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent, and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the NC will review the range of expertise, skills and attributes on the Board and the composition of the Board. The NC then identifies the Group's needs and prepares a shortlist of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the Committee may seek advice from external search consultants. The NC takes factors such as attendance, preparedness, participation and candour into consideration when evaluating the past performance and contributions of a Director for recommendation to the Board.

Board Performance

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board, Board committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board.

The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. The NC conducts an assessment against pre-established and objective criteria which are derived from the Board's charter and responsibilities, and evaluates the performance of (i) the Board as a whole, (ii) each Board Committee, as well as (iii) each individual Director. The criteria allows comparison with industrial peers, and also address whether long-term shareholder value has been enhanced. These criteria are not to be changed from year to year unless circumstances deem it necessary for the Board to do so. Consideration is also given to each Director's level of contribution to Board or Board Committee meetings and other deliberations. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his/her performance or re-nomination as a Director.

The Non-Executive and the Independent Directors have multiple board representations. However, the NC is satisfied that the Directors have been able to devote adequate time and attention to fulfill their duties as Directors of the Company, in addition to their multiple board representations.

Access to information

Prior to each Board meeting, Directors are provided with timely and complete information to enable them to fulfil their responsibilities. As a general rule, board papers are sent to Directors at least one week in advance in order for Directors to be adequately prepared for the meeting. The Board also receives regular updates from Management pertaining to the operational and financial performance of the Group. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, reports of variances from budgets and forecasts, as well as matters for the decision or information of the Board.

Corporate Governance Report (continued)

The Directors have separate and independent access to the company secretaries. The company secretaries are required to attend all Board and committee meetings and to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Board is responsible for the appointment and removal of the company secretaries.

Where members of the Board, either individually or as a group, seek independent professional advice, after consultation with the Chairman, such expenses will be borne by the Company.

II. REMUNERATION MATTERS

(Principles 7, 8 and 9 of the Code)

Procedures for Developing Remuneration Policies

There is in place a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. The RC meets annually to recommend to the Board a framework of remuneration for the Directors and key executives, and to determine specific remuneration packages for the Chief Executive Officer (or executive of an equivalent rank) and each Executive Director. The recommendations of the RC are made in consultation with the Chairman and submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. Recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. Each member of the RC abstains from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his/her remuneration package. As such, no Director is involved in deciding his own remuneration.

The RC is also empowered to review human resources management policies and the policies governing the compensation of executive officers of the Company and its subsidiaries.

Level and Mix of Remuneration

In setting remuneration packages, the Company will take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages take into account the Company's relative performance and the performance of individual Directors.

The Company has entered into separate service agreements with the Executive Directors, which can be terminated with six months notice in writing served by either party on the other. These agreements do not contain onerous removal clauses.

The remuneration of non-executive Directors will be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Board will recommend the remuneration of the non-executive Directors for approval at the annual general meeting of the Company.

Although the Company currently does not have in place any long-term incentive scheme for its Directors, the RC will consider the appropriateness of putting in place long term incentive schemes, such as share option schemes. In normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time. If such schemes are instituted and the RC considers that Directors are eligible to be granted shares or options, they will be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

Disclosure of Remuneration

The remuneration of the Directors and the key executives (who are not Directors), shown in bands of S\$250,000, is disclosed below:

Name Of Director	Salary (%)	Bonus (%)	Directors' Fees (%)	Total Compensation (%)
Directors				
Above S\$500,000				
Mr Liu Shuqing	10.38	89.62	–	100
Mr Liu Hailong	10.38	89.62	–	100
Below S\$250,000				
Mr Liu Litao	–	–	100	100
Mr Xie Xiaolai	–	–	100	100
Mr Loo Choon Chiaw	–	–	100	100
Mr Sum Yee Loong	–	–	100	100
Executive Officers				
S\$250,000 to below S\$500,000				
Mr Choi Ho Yan	100	–	–	100
Below S\$250,000				
Mr Tang Hua Jing	100	–	–	100
Ms Li Yuxia	100	–	–	100
Mr Lou Zhi Guo	100	–	–	100

No employee of the Company, whose annual remuneration exceeded S\$150,000 during FY2009, was an immediate family member of a Director or the Chief Executive Officer.

On 29 December 2005, the then shareholders of the Company approved the adoption of a share option scheme (the Yinluo Employee Share Option Scheme (the "Scheme")), which complied with Chapter 8, Part VII of the Listing Manual. The RC administers the Scheme. To date, no options have been issued pursuant to the Scheme and there are no participants in the Scheme for FY2009.

Corporate Governance Report (continued)

III. ACCOUNTABILITY AND AUDIT

(Principles 10, 11, 12 and 13)

Accountability

The aim of the Board provides a balanced and understandable assessment of the Group's financial performance to shareholders. Management currently provides the Board with appropriately detailed management accounts of the Group's performance. Financial results are released on a quarterly basis to the shareholders through SGXNET. The Board is committed to discharging its obligation to provide prompt and thorough disclosures to shareholders.

Audit Committee

The Board considers that at least two of the members of the AC have the relevant accounting or related financial management experience.

The AC will focus principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, internal controls and the audit function.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC meets at least four times a year to perform the following functions:

- review the audit plans of the Company's external auditors, including their independence and objectivity;
- review the external auditors' reports;
- review the co-operation given by the Company's officers to the external auditors;
- review the scope and results of internal audit procedures and its cost effectiveness;
- review and ensure that the internal audit function is adequately resourced;
- review the financial statements of the Company and the Group before submission to the Board;
- review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual and by such amendments made thereto from time to time;
- review and approve all interested person transactions to ensure that, in the Audit Committee's view, the transaction is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders;
- reviewing the adequacy of the Company's internal controls, as set out in Guideline 12.1 of the Code;
- review the remuneration packages of employees who are related to the Director and/or substantial shareholders; and
- review the results of audits performed by Internal Audit based on the approved audit plan.

Apart from the duties listed above, the AC will commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. In addition, the AC will meet with the external auditors without the presence of the Company's Management, at least once annually.

In respect of the FY2009, the AC has reviewed the audited financial statements with management and the external auditors and is of the view that the Group's financial statements for FY2009 are fairly presented in conformity with the relevant International Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditors.

Internal Controls

A system of internal controls has been implemented for the Company. The controls are designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained, and financial information used within the business and for publication is accurate and reliable.

The AC will ensure that a review of the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. This review will be carried out by the Company's internal auditor. Any material non-compliance or lapses in internal controls together with corrective measures are to be reported to the AC.

Based on the audit reports and management controls in place, the AC is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable.

In the course of their audit, the Group's external auditors carry out a review of the Group's material internal controls to the extent of the scope as laid out in their audit plan. Any material non-compliance and internal control weaknesses, together with the external auditors' recommendations to address them, are reported to the AC. Management, with the assistance of the internal auditor, follows up on the external auditors' recommendations as part of their role in reviewing the Group's system of internal controls.

The Board considers that the existing system of financial, operational and compliance controls is adequate. The Board is satisfied that, with the assistance of the AC, external and internal auditors, current internal controls and risk management processes are satisfactory for the nature and scope of the Company's operations. Notwithstanding this, the Company continues to improve its internal system of control and processes in order to guide the Company in negotiation, risk management and the performance of any decision and internal functions.

Internal Audit

The Group's internal auditor reports to the chairman of the AC although the internal auditor would also report administratively to the CEO. The internal auditor assists the Committee and the Board by performing regular evaluations on the Company's internal controls, financial and accounting matters, compliance, business and financial risk management policies and procedures, and ensuring that internal controls are adequate to meet the Company's requirements.

External Auditors

The external auditors hold office until their removal or resignation. The AC assesses the external auditors based on factors such as the performance and quality of their audit and the independence of the auditors, and recommends their re-appointment to the Board. Pursuant to the requirements of the SGX, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years.

Corporate Governance Report (continued)

Where the external auditors also supply non-audit services to the Company, the AC will review the nature and extent of such services and seeks to balance the maintenance of objectivity and value for money. For FY2009, the aggregate amount of non-audit fees paid to the external auditors for the financial year under review was approximately RMB44,000, which represented the non-assurance services on certain financial information of the Group. There were no non-audit fees paid to external auditors for FY2008. The AC is of the view that such provision of non-audit services does not affect the independence of the external auditors. The AC reviews the independence of the external auditors annually.

IV. COMMUNICATION WITH SHAREHOLDERS

(Principles 14 and 15 of the Code)

Adequate communication with Shareholders

It is the Company's policy to keep shareholders informed on a timely basis, through different media, of all major developments relating to the Company, in line with the disclosure obligations of the Company under the Listing Manual. The Company does not practise selective disclosure. Material and price sensitive information is always released via SGXNET. Information on shareholders' meetings is disseminated through notices published in newspapers, as well as through reports or circulars sent to all registered shareholders.

The Company encourages attendance, participation and voting by shareholders at the Company's annual general meetings and special general meetings, where they are allowed to vote in person or *in absentia*. Shareholders will be afforded adequate opportunity to communicate their views on matters relating to the Company. Where the resolutions at general meetings are "bundled", the Company will explain the reasons and material implication. The chairpersons of the AC, NC or RC (or a nominated member of each respective committee) and the external auditors will be present at the Annual General Meeting to address any relevant queries from shareholders.

Management attempts to understand investor views and concerns through constant interaction with shareholders, as well as receive market intelligence on the industry and competitors. These provide valuable insights for Management in making decisions concerning the business and when formulating policies such as capital management.

V. DEALINGS WITH SECURITIES

The Company has adopted an internal code of practice for securities transactions by all Directors and designated employees (including all Executive Officers), in compliance with Rule 1207(18) of the Listing Manual.

Under the above-mentioned Rule, Directors and designated employees must refrain from dealing in the listed securities of the Company on short-term considerations and when they are in possession of unpublished price-sensitive information in relation to the Company and/or its subsidiaries or associated companies. Directors and designated employees are also not to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's half year or full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.



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Expressed in Renminbi ("RMB")

Directors' Report

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of China Milk Products Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 March 2009 (“**FY2009**”), comprising the company and consolidated balance sheets as at 31 March 2009, and the consolidated income statement, the company and consolidated statements of changes in equity, and the consolidated cash flow statement for FY2009.

DIRECTORS

The Directors of the Company during the financial year ended 31 March 2009 and up to the date of this report are:

Executive directors

Mr Liu Shuqing (Chairman)

Mr Liu Hailong

Non-executive directors

Mr Liu Litao

Mr Xie Xiaolai (appointed on 2 June 2008)

Mr Yung Kin Lam (resigned on 1 June 2008)

Independent non-executive directors

Mr Loo Choon Chiaw

Mr Sum Yee Loong

Mr Liu Litao, Mr Sum Yee Loong and Mr Loo Choon Chiaw will retire in accordance with Article 86(1) of the Company's Articles of Association, and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

Details of the results of the Group for the financial year ended 31 March 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 42 to 77.

An interim dividend of RMB0.028 per ordinary share was declared on 14 August 2008 and paid on 18 September 2008. The Directors do not recommend the payment of a final dividend.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year ended 31 March 2009, nor at any time during the financial year ended 31 March 2009, was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND CONVERTIBLE SECURITIES

The following Director, who held office at the end of FY2009, had, according to the Company's Register of Directors' Shareholdings, an interest in shares and convertible securities of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Ordinary shares of HK\$0.50 each in the capital of the Company

Name of Director	As at beginning of FY2009		As at end of FY2009		As at 21 April 2009	
	Direct Interest	Deemed Interest	Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Mr Liu Shuqing	323,070,000	36,930,000	323,070,000	36,930,000	323,070,000	36,930,000

Except as disclosed in this report, no Director who held office at the end of FY2009 had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning, at the end of FY2009 or as at 21 April 2009.

DIRECTORS' SERVICE CONTRACTS

The Company entered into separate service agreements ("Service Agreements") with the Executive Directors, Mr Liu Shuqing and Mr Liu Hailong for an initial period of three years commencing from 13 March 2006. The initial period having since expired, the Service Agreements shall continue automatically unless terminated by not less than six months' notice in writing, served by either party at any time thereafter.

Apart from the foregoing, no Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

OPTIONS

No option to take up unissued shares of the Company was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company during the financial year.

There were no unissued shares of the Company under option at the end of the financial year.

The Company implemented a share option scheme known as the Yinluo Employee Share Option Scheme on 29 December 2005 (the "Scheme"). The Scheme is administered by the Remuneration Committee of the Company. As at the date of this report, no option to take up unissued shares of the Company was granted under the Scheme.

AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's audit committee, nominating committee and remuneration committee are set out in the Corporate Governance Report of this Annual Report.

Directors' Report (continued)

DIRECTORS' INTERESTS IN CONTRACTS

No director received or became entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

AUDITORS

Grant Thornton, Certified Public Accountants, Hong Kong have expressed their willingness to accept reappointment.

The Audit Committee has recommended to the Directors the nomination of Grant Thornton, Certified Public Accountants, Hong Kong for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

Liu Shuqing

Executive Chairman

Liu Hailong

Executive Director

18 June 2009

Statement by Directors

We, Liu Shuqing and Liu Hailong, being two of the Directors of China Milk Products Group Limited, do hereby state that, in the opinion of the Directors,

- (a) the accompanying company and consolidated balance sheets, consolidated income statement, company and consolidated statements of changes in equity and consolidated cash flow statement of the Group, and balance sheet and statement of changes in equity of the Company together with notes thereto, as set out on pages 42 to 77, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended 31 March 2009; and
- (b) as at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 18 June 2009.

ON BEHALF OF THE BOARD

Liu Shuqing
Executive Chairman

Liu Hailong
Executive Director

18 June 2009

Independent Auditors' Report

Certified Public Accountants
Member of Grant Thornton International Ltd



**To the members of China Milk Products Group Limited
(incorporated in Cayman Islands with limited liability)**

We have audited the consolidated financial statements of China Milk Products Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 77, which comprise the company and consolidated balance sheets as at 31 March 2009, and the consolidated income statement, the company and consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Their opinion on these financial statements is set out on page 39.

The directors' responsibility for the financial statements includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

18 June 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	5	647,722	546,770
Fair value of agricultural produce on initial recognition less estimated point-of-sale costs		680,966	560,944
Gains arising from changes in fair value less estimated point-of-sale costs of dairy livestock, net		42,363	65,315
		723,329	626,259
Other income	5	20,303	39,393
Raw materials and consumables used		(114,439)	(92,169)
Sub-contracting expenses		(30,279)	(2,045)
Staff costs (including directors' remuneration)		(30,328)	(26,444)
Depreciation and amortisation expenses		(29,875)	(16,926)
Minimum lease payments under operating leases for land and buildings		(11,124)	(9,213)
Other operating expenses		(38,488)	(23,713)
Profit from operations		489,099	495,142
Change in fair value of derivative financial instruments		(12,677)	76,946
Finance costs	6	(93,952)	(91,481)
Profit before taxation	7	382,470	480,607
Taxation	8	–	–
Profit for the year		382,470	480,607
Dividend	9	20,681	–
Earnings per share for profit attributable to the equity holders of the parent during the year	10		
– Basic		RMB0.52	RMB0.65
– Diluted		N/A	RMB0.58

Balance Sheets

as at 31 March 2009

	Notes	Group 2009 RMB'000	2008 RMB'000	Company 2009 RMB'000	2008 RMB'000
ASSETS					
Non-current assets					
Interests in subsidiaries	15	–	–	319,587	326,901
Property, plant and equipment	12	569,847	472,546	–	–
Land use rights	13	252,103	257,951	–	–
Dairy livestock	14	351,269	300,665	–	–
Deposits	18	–	46,298	–	–
		1,173,219	1,077,460	319,587	326,901
Current assets					
Inventories	16	33,151	14,825	–	–
Trade receivables	17	119,288	59,122	–	–
Prepayments and other receivables	18	370,327	5,387	275,109	–
Amount due from a subsidiary	19	–	–	976,972	1,249,651
Cash and bank balances	20	1,633,887	1,736,724	1,852	698
		2,156,653	1,816,058	1,253,933	1,250,349
Total assets		3,329,872	2,893,518	1,573,520	1,577,250
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Issued capital	24	381,587	381,587	381,587	381,587
Reserves	25	1,807,122	1,437,062	78,347	155,813
Total equity		2,188,709	1,818,649	459,934	537,400
Current liabilities					
Trade payables, accrued liabilities and other payables	21	46,962	31,504	19,385	15,581
Amount due to a director	22	–	33,123	–	14,027
Derivative financial instruments	23	68,358	56,964	68,358	56,964
Convertible bonds	23	1,025,843	–	1,025,843	–
		1,141,163	121,591	1,113,586	86,572
Non-current liabilities					
Convertible bonds	23	–	953,278	–	953,278
Total liabilities		1,141,163	1,074,869	1,113,586	1,039,850
Total equity and liabilities		3,329,872	2,893,518	1,573,520	1,577,250

Liu Shuqing
Director

Liu Hailong
Director

Statements of Changes in Equity

for the year ended 31 March 2009

GROUP

	Issued capital RMB'000	Proposed dividend RMB'000	Share premium* RMB'000 (note 25)	Capital reserve* RMB'000 (note 25)	Merger reserve* RMB'000 (note 25)	Retained profits* RMB'000	Translation reserve* RMB'000	Total RMB'000
Balance at 1 April 2007	381,587	36,930	218,365	94,511	(267,245)	899,768	(11,029)	1,352,887
Profit for the year	–	–	–	–	–	480,607	–	480,607
Currency translation – Net income/(expense) recognised directly in equity	–	–	–	–	–	–	22,085	22,085
Total recognised income and expense for the year	–	–	–	–	–	480,607	22,085	502,692
Dividend paid 2007	–	(36,930)	–	–	–	–	–	(36,930)
Balance at 31 March 2008	381,587	–	218,365	94,511	(267,245)	1,380,375	11,056	1,818,649
Profit for the year	–	–	–	–	–	382,470	–	382,470
Currency translation – Net income/(expense) recognised directly in equity	–	–	–	–	–	–	8,271	8,271
Total recognised income and expense for the year	–	–	–	–	–	382,470	8,271	390,741
Interim dividend paid	–	–	–	–	–	(20,681)	–	(20,681)
Balance at 31 March 2009	381,587	–	218,365	94,511	(267,245)	1,742,164	19,327	2,188,709

* These reserve accounts comprise the consolidated reserves of approximately RMB1,807,122,000 (2008: approximately RMB1,437,062,000) in the consolidated balance sheet.

COMPANY

	Issued capital RMB'000	Proposed dividend RMB'000	Share premium** RMB'000	Retained profits/ (accumulated losses)** RMB'000	Translation reserve** RMB'000	Total RMB'000
Balance at 1 April 2007	381,587	36,930	259,325	10,027	(20,570)	667,299
Loss for the year	—	—	—	(32,663)	—	(32,663)
Currency translation – Net income/ (expense) recognised directly in equity	—	—	—	—	(60,306)	(60,306)
Total recognised income and expense for the year	—	—	—	(32,663)	(60,306)	(92,969)
Dividend paid 2007	—	(36,930)	—	—	—	(36,930)
Balance at 31 March 2008	381,587	—	259,325	(22,636)	(80,876)	537,400
Loss for the year	—	—	—	(45,038)	—	(45,038)
Currency translation – Net income/ (expense) recognised directly in equity	—	—	—	—	(11,747)	(11,747)
Total recognised income and expense for the year	—	—	—	(45,038)	(11,747)	(56,785)
Interim dividend paid	—	—	—	(20,681)	—	(20,681)
Balance at 31 March 2009	381,587	—	259,325	(88,355)	(92,623)	459,934

** These reserve accounts comprise the Company's reserves of approximately RMB78,347,000 (2008: approximately RMB155,813,000) in the balance sheet.

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before taxation		382,470	480,607
Adjustments for:			
Interest income	5	(9,669)	(20,830)
Gains arising from changes in fair value less estimated point-of-sale costs of dairy livestock, net		(42,363)	(65,315)
Change in fair value of derivative financial instruments		12,677	(76,946)
Amortisation of land use rights	7	5,848	5,596
Depreciation	7	24,027	11,330
Interest on convertible bonds at amortised cost	6	93,952	91,481
Operating profit before working capital changes		466,942	425,923
Working capital adjustments:			
(Increase)/decrease in inventories		(18,326)	4,215
Increase in trade receivables		(60,166)	(18,948)
Increase in prepayments and other receivables		(43,533)	(631)
Increase/(decrease) in trade payables, accrued liabilities and other payables		5,777	(7,656)
<i>Net cash generated from operating activities</i>		350,694	402,903
Cash flows from investing activities			
Purchase of property, plant and equipment		(111,647)	(240,216)
Increase in pledged deposit	20	(2,420)	–
Acquisition of land use rights		–	(26,083)
Purchase of dairy livestock		(88,114)	(68,459)
Deposits paid for the purchase of dairy livestock		–	(46,298)
Proceeds from disposal of dairy livestock		79,873	53,281
Interest received		9,669	20,830
<i>Net cash used in investing activities</i>		(112,639)	(306,945)
Cash flows from financing activities			
(Repayment to)/advance from a director		(33,123)	19,096
Advancement for repurchase of convertible bonds	23	(275,109)	–
Dividend paid		(20,681)	(22,778)
<i>Net cash used in financing activities</i>		(328,913)	(3,682)
Net (decrease)/increase in cash and cash equivalents		(90,858)	92,276
Cash and cash equivalents at beginning of year		1,736,724	1,731,361
Effect of foreign exchange rates changes, net		(14,399)	(86,913)
Cash and cash equivalents at end of year		1,631,467	1,736,724
Analysis of balances of cash and cash equivalents			
Cash at banks and in hand	20	1,631,467	1,736,724

Notes to the Financial Statements

for the year ended 31 March 2009

1. CORPORATE INFORMATION

China Milk Products Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 20 September 2005. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the subsidiaries’ principal activities during the year.

The financial statements on pages 42 to 77 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretation Committee of the IASB.

2. ADOPTION OF NEW OR AMENDED IFRSs

From 1 April 2008, the Company and its subsidiaries (the “Group”) have adopted all the new and amended IFRSs which are first effective to the Group’s financial statements for the annual period beginning on 1 April 2008 and relevant to the Group.

IAS 39 (Amended)	Reclassification of Financial Assets
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

These new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

2. ADOPTION OF NEW OR AMENDED IFRSs (CONTINUED)

New or amended IFRSs that have been issued but are not yet effective

The Group has not early adopted the following IFRSs that have been issued but are not yet effective for the year ended 31 March 2009.

IAS 1 (Revised)	Presentation of Financial Statements ²
Amendment to IAS 1 (Revised 2007)	Presentation of Financial Statements – Consequential Amendments Arising from IAS 32 (Revised) ²
IAS 23 (Revised)	Borrowing Costs ²
IAS 27 (Revised)	Consolidated and Separate Financial Statements ³
IAS 28 (Amended)	Investments in Associates – Consequential Amendments Arising from Amendments to IFRS 3 ³
IAS 31 (Amended)	Interests in Joint Ventures – Consequential Amendments Arising from Amendments to IFRS 3 ³
IAS 32, IAS 39 & IFRS 7 (Amended)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
IAS 39 (Amended)	Eligible Hedged Items ³
IAS 39 (Amended)	Embedded Derivatives ⁶
IFRS 1 (Revised)	First-time Adoption ³
IFRS 1 & IAS 27 (Amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate ²
IFRS 2 (Amended)	Share-based Payment – Vesting Conditions and Cancellations ²
IFRS 3 (Revised)	Business Combinations ³
IFRS 7 (Amended)	Improving Disclosures about Financial Instruments ²
IFRS 8	Operating Segments ²
IFRIC – Interpretation 2	Members' Shares in Cooperative Entities and Similar Instruments – Consequential Amendments Arising from IAS 32 (Revised) ²
IFRIC – Interpretation 13	Customer Loyalty Programmes ¹
IFRIC – Interpretation 15	Agreements for the Construction of Real Estate ²
IFRIC – Interpretation 16	Hedges of a Net Investment in a Foreign Operation ⁴
IFRIC – Interpretation 17	Distributions of Non-cash Assets to Owners ³
IFRIC – Interpretation 18	Transfer of Assets from Customers ⁷
Various	Annual Improvements to IFRS 2008 ⁵
Various	Annual Improvements to IFRS 2009 ⁸

Notes:

- 1 Effective for annual periods beginning on or after 1 July 2008
- 2 Effective for annual periods beginning on or after 1 January 2009
- 3 Effective for annual periods beginning on or after 1 July 2009
- 4 Effective for annual periods beginning on or after 1 October 2008
- 5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific IFRS
- 6 Effective for annual periods ending on or after 30 June 2009
- 7 Effective for transfer of assets from customers received on or after 1 July 2009
- 8 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific IFRS

2. ADOPTION OF NEW OR AMENDED IFRSs (CONTINUED)

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, IAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, IFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in IFRS 8.

The directors of the Company are currently assessing the impact of other new and amended IFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these IFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for:

- dairy livestock
- derivative financial instruments

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the "Group") made up to 31 March each year. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease term and 20 years
Plant, machinery and equipment	5 – 10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statements is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress, which represents production facilities and plant and machineries under construction or installation, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets

Non-financial assets including interests in subsidiaries, property, plant and equipment and land use rights are subject to impairment testing. The carrying amounts of assets are tested for impairment whenever there are indications that the carrying amount of an asset may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Financial assets

The Group's financial assets include cash and bank balances and trade and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Dairy livestock and agricultural produce

Dairy livestock is stated at fair value less estimated point-of-sale costs. The fair value of dairy livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Change in the fair value less estimated point-of-sale costs of the dairy livestock is included in the income statement for the period in which it arises.

Agricultural produce, which comprises raw milk, bull semen and pedigree embryos, is initially measured at its fair value less estimated point-of-sale costs at the point of harvest. The fair value of agricultural produce is determined based on market prices in the local area. Gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the income statement for the period in which it arises.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the fair value (less estimated point-of-sale costs) of the agricultural produce initially recognised at the point of harvest, or direct materials computed using weighted average method and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

(i) Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities

The Group's financial liabilities include trade and other payables, amount due to a director and liability component of convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Trade and other payables and amount due to a director

Trade and other payables and amount due to a director are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Convertible bonds (without an equity component)

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

The derivative component is subsequently remeasured in accordance with the Group's accounting policy on derivative financial instruments. The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amount of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amount of both components is recognised in the income statement.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

(l) Retirement benefits

Pursuant to the relevant regulations of the PRC government, a subsidiary of the Company in the PRC participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statements as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies

The functional currency of the Company is Hong Kong dollars ("HK\$"). The financial statements have been presented in Renminbi ("RMB"), which is also the functional currency of the principal subsidiary of the Group whose operations are principally conducted in the People's Republic of China (the "PRC"). Assets and liabilities of the Company have been converted into RMB at the closing rate at the balance sheet date. Income and expenses of the Company have been translated into RMB at the exchange rates ruling at the transaction date, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significant. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet retranslation of monetary assets and liabilities are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the balance sheet date. Income and expenses have been translated into RMB at the exchange rates ruling at the transaction date, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

(n) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand including term deposits, which are not restricted as to use.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:-

- (i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (ii) interest income, on a time proportion basis after taking into account the principal outstanding and the effective interest rate applicable.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Operating leases

- (i) Land use rights payments are up-front payments to acquire the land use rights under operating leases. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.
- (ii) Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(q) Related parties

A party is considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv); or
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(r) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into or the derivative is separated from the host contracts and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Issued capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

(t) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting, if applicable. When these dividends have been approved by the shareholders (if applicable) and declared, they are recognised as a liability.

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

(u) Segment reporting

No separate analysis of segment information by business or geographical segments is presented as the Group's major business comprises the dairy farm operations which include sale of dairy livestock's agricultural produce in the PRC. The Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is the PRC.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

This estimate is based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management reassesses these estimations at the balance sheet dates.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

(ii) Allowance for estimated irrecoverable trade and other receivables

The Group's management determines the allowance for irrecoverable trade and other receivables. This estimate is based on the credit history of the Group's debtors, past default experience and the current market condition. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for receivables are estimated. The Group's management reassesses these estimations at the balance sheet dates.

When the Group's management determines that the debtors are uncollectible, they are written off against the allowance account for those debtors. Any amount held in the allowance account in respect of those debtors are reversed.

(iii) Valuation for dairy livestock and agricultural produce

The Group's management determines the fair values less estimated point-of-sale costs of dairy livestock on initial recognition and at each balance sheet date and agricultural produce at the point of harvest respectively. These estimates are based on the current market condition, the knowledge and experience of the Group's management and independent professional advices sought by the Group's management.

(iv) Valuation for derivative financial instruments

On 5 January 2007, the Company issued a zero coupon convertible bonds due 2012 with an aggregate principal amount of US\$150,000,000. The convertible bonds were issued with a conversion price of S\$2 per share and will mature on 5 January 2012. The embedded derivatives consisting of the conversion and redemption option have been separated from the host debt contract and accounted for as derivative financial instruments (note 23). The fair value of these derivative financial instruments is determined by using valuation techniques. The Group used its judgement to select an appropriate valuation method and makes assumption that are mainly based on market conditions existing at each balance sheet date. The valuation model requires the input of subjective assumptions, including the stock price, expected volatility, expected dividend yield, risk free rate and expected life. Changes in subjective input assumptions can materially affect the fair value estimate. For the year ended 31 March 2009, the fair value loss resulting from change in fair value of the derivative component of convertible bonds was approximately RMB12,677,000 (2008: fair value gain of approximately RMB76,946,000).

(v) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises land use rights in accordance with the accounting policies stated in note 3(d) and note 3(p) respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

5. REVENUE AND OTHER INCOME

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

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

	2009 RMB'000	Group 2008 RMB'000
Revenue		
Sales of agricultural produce	647,722	546,770
Other income		
Interest income on financial assets stated at amortised cost	9,669	20,830
Exchange gain, net	6,210	15,618
Others	4,424	2,945
	20,303	39,393

6. FINANCE COSTS

	2009 RMB'000	Group 2008 RMB'000
Interest on convertible bonds at amortised cost	93,952	91,481

7. PROFIT BEFORE TAXATION

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

	2009 RMB'000	Group 2008 RMB'000
Cost of agricultural produce sold	647,722	546,770
Amortisation of land use rights	5,848	5,596
Depreciation	24,027	11,330
Defined contribution retirement scheme contributions	146	121

Note: During the year ended 31 March 2009, the independent auditors received non-audit fee of approximately RMB44,000 for non-assurance services rendered in respect of certain financial information of the Group. No non-audit fees were paid to the auditors during the year ended 31 March 2008.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

8. TAXATION

Taxation has not been provided by the Company as the Company did not derive any assessable profits for the year ended 31 March 2009 (2008: Nil).

Daqing Yinluo Dairy Co. Ltd. ("Yinluo"), a subsidiary of the Company accredited as one of the Agricultural Industrialisation National Leading Enterprise (农业产业化国家重点龙头企业) by the Agricultural Department of the PRC in December 2002, was granted an exemption in the PRC corporate income tax ("CIT") in accordance with the local tax bureau's approvals which are based on "The Notice Relating to Clarifications of Issues Relating to Exemptions from Income Tax for Agricultural Industrialisation National Leading Enterprise (国家税务总局关于明确农业产业化国家重点龙头企业所得税征免问题的通知)". Accordingly, no provision for CIT was made for the year ended 31 March 2008.

According to the PRC new corporate income tax law and its interpretation rules which were effective from 1 January 2008 (the "New PRC Corporate Income Tax Law"), Agricultural Industrialisation National Leading Enterprises are no longer eligible to full exemption from corporate income tax. Instead, under the New PRC Corporate Income Tax Law Article 27(1) and Implementation Rules Article 86, enterprises that are engaged in qualifying agricultural business are eligible for certain tax benefits, including full corporate income tax exemption or half reduction of corporate income tax on profits derived from such business. Yinluo is engaged in qualifying agricultural business, which comprises dairy farm operations including sale of dairy livestock's agriculture produce, and is still entitled to full exemption of corporate income tax. Accordingly, no provision for CIT was made for the year ended 31 March 2009.

Under the New PRC Corporate Income Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. At the balance sheet date, deferred tax liabilities amounted to RMB63,264,000 (2008: RMB13,157,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

A reconciliation of the expected theoretical tax expenses with the tax expenses charged to the consolidated income statement is presented below:-

	2009 RMB'000	Group 2008 RMB'000
Profit before taxation	382,470	480,607
Tax at the applicable tax rate of 25% (2008: 33%) (note)	95,618	158,600
Effect of non-deductible items	31,565	37,290
Effect of non-taxable items	(253)	(28,430)
Rate differential on PRC operations (note)	—	(12,460)
Effect of tax exemption of a subsidiary of the Group	(126,930)	(155,000)
Actual tax expense	—	—

Note: Pursuant to the New PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new corporate income tax rates for domestic and foreign enterprises were unified at 25% and were effected from 1 January 2008.

9. DIVIDEND

	2009 RMB'000	2008 RMB'000
The Company		
Proposed final dividend	–	–
Interim dividend		
– RMB0.028 per ordinary share (2008: Nil)	20,681	–

Dividend recognised as distribution during the year ended 31 March 2009 amounted to RMB20,681,000 or RMB0.028 per ordinary share (2008: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the parent of approximately RMB382,470,000 (2008: approximately RMB480,607,000) and on the weighted average of 738,600,000 (2008: 738,600,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2008 was based on the profit attributable to the equity holders of the parent of RMB480,607,000 and after adjustment to reflect the effect of deemed exercise or conversion of convertible bonds, which was RMB495,142,000, and on the weighted average of 854,018,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 738,600,000 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted earnings per share for the year ended 31 March 2009 was not presented because the impact of the exercise of convertible bonds was anti-dilutive.

11. DIRECTORS' REMUNERATION

For the years ended 31 March 2008 and 2009, the remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with Rule 1207(11) of Chapter 12 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"):

	Group		
	Executive directors	Non-executive directors	Total
Below S\$250,000 (equivalent to approximately below RMB1,187,000)	–	4	4
S\$250,000 to below S\$500,000 (equivalent to approximately RMB1,187,000 to approximately RMB2,375,000)	–	–	–
Above S\$500,000 (equivalent to approximately above RMB2,375,000)	2	–	2
	2	4	6

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings RMB'000	Plant, machinery and equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 April 2007						
Cost	71,571	22,616	148	440	171,177	265,952
Accumulated depreciation	(14,653)	(7,534)	(68)	(37)	–	(22,292)
Net book amount	56,918	15,082	80	403	171,177	243,660
Year ended 31 March 2008						
Opening net book amount	56,918	15,082	80	403	171,177	243,660
Additions	–	28,333	41	1,986	209,856	240,216
Transfer in/(out)	74,520	60,220	–	–	(134,740)	–
Depreciation charge	(4,826)	(6,207)	(29)	(268)	–	(11,330)
Closing net book amount	126,612	97,428	92	2,121	246,293	472,546
At 1 April 2008 and 31 March 2008						
Cost	146,091	111,169	189	2,426	246,293	506,168
Accumulated depreciation	(19,479)	(13,741)	(97)	(305)	–	(33,622)
Net book amount	126,612	97,428	92	2,121	246,293	472,546
Year ended 31 March 2009						
Opening net book amount	126,612	97,428	92	2,121	246,293	472,546
Additions	–	7,530	65	2,086	111,647	121,328
Transfer in/(out)	221,502	82,516	–	–	(304,018)	–
Depreciation charge	(10,609)	(12,957)	(40)	(421)	–	(24,027)
Closing net book amount	337,505	174,517	117	3,786	53,922	569,847
At 31 March 2009						
Cost	367,593	201,215	254	4,512	53,922	627,496
Accumulated depreciation	(30,088)	(26,698)	(137)	(726)	–	(57,649)
Net book amount	337,505	174,517	117	3,786	53,922	569,847

The official title certificates for certain of the Group's leasehold buildings with carrying amount of approximately RMB168,526,000 (2008: Nil) in aggregate have not yet been issued by the relevant local government authorities. These leasehold buildings are erected on land for which relevant land use rights certificates have been obtained by the Group. The directors are of the opinion that the Group's right and interest in such leasehold buildings will not be therefore severely prejudiced.

The Group's leasehold buildings are erected on land situated in the PRC which is held under medium-term leases.

13. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2009 RMB'000	Group 2008 RMB'000
At beginning of year		
Cost	292,368	266,285
Accumulated amortisation	(34,417)	(28,821)
Net book amount	257,951	237,464
For the year ended 31 March		
Opening net book amount	257,951	237,464
Additions	–	26,083
Amortisation	(5,848)	(5,596)
Closing net book amount	252,103	257,951
At end of year		
Cost	292,368	292,368
Accumulated amortisation	(40,265)	(34,417)
Net book amount	252,103	257,951

The Group's land use rights are situated in the PRC and are held under medium term leases.

14. DAIRY LIVESTOCK

	2009 RMB'000	Group 2008 RMB'000
Dairy livestock		
At fair value less estimated point-of-sale costs	351,269	300,665
	Number of dairy livestock	
	2009	2008
Physical quantities of dairy livestock:		
Immature	5,243	4,826
Mature	16,577	13,564
	21,820	18,390

The Group's pure-bred and cross-bred dairy livestock comprise immature and mature dairy livestock owned by a subsidiary of the Company. The immature dairy livestock are primarily bred for further growth into mature dairy livestock. The mature dairy livestock are primarily held to produce further dairy livestock and dairy livestock's agricultural produce. The Group's dairy livestock were revalued at the balance sheet dates by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of professional valuers registered in Hong Kong on market value basis, which are derived with reference to the market transaction records of dairy livestock with similar characteristics and properties. The valuation was determined at the point when the dairy livestock becomes mature.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

14. DAIRY LIVESTOCK (CONTINUED)

Significant assumptions by Savills in their valuation are as follows:

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation.
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.
- The businesses are not subject to any unusual or onerous restrictions or encumbrances.

Reconciliation of changes in the carrying amounts of the dairy livestock:-

	2009 RMB'000	Group 2008 RMB'000
At beginning of year	300,665	220,172
Increase due to purchases	88,114	68,459
Gains arising from changes in fair value less estimated point-of-sale costs, net	42,363	65,315
Decrease due to sales	(79,873)	(53,281)
At end of year	351,269	300,665

15. INTERESTS IN SUBSIDIARIES

	2009 RMB'000	Company 2008 RMB'000
Unlisted shares, at cost	374,500	374,500
Currency translation	(54,913)	(47,599)
	319,587	326,901

Particulars of the Company's subsidiaries at 31 March 2009 are as follows:

Name	Place of incorporation/ establishment and operations	Paid-up share/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Cattan Holdings Corp. ("Cattan")	The British Virgin Islands ("BVI")	US\$10,760	100	–	Investment holding
Yinluo	PRC	US\$100,000,000	–	100	Dairy farm operations including sale of dairy livestock's agricultural produce

The financial statements of the above subsidiaries are audited by Grant Thornton for consolidation purpose only.

16. INVENTORIES

	2009 RMB'000	Group 2008 RMB'000
Raw materials	15,397	12,223
Agricultural produce	17,754	2,602
	33,151	14,825

17. TRADE RECEIVABLES

The ageing analysis of trade receivables that are not considered to be impaired is as follows:

	2009 RMB'000	Group 2008 RMB'000
Neither past due nor impaired	78,200	57,812
1 – 30 days past due	38,154	1,310
31 – 60 days past due	2,934	–
	41,088	1,310
	119,288	59,122

The Group's management considers that no allowance for impairment of trade receivables is necessary as there was no recent history of default in respect of these trade debtors. Trade receivables that were neither past due nor impaired related to a certain number of customers that had a good track record of credit with the Group.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Non-current assets				
Deposits for purchase of dairy livestock	–	46,298	–	–
Current assets				
Prepayments (note 23)	325,119	5,165	275,109	–
Other receivables	45,208	222	–	–
	370,327	5,387	275,109	–

The Group's management considers that no allowance for impairment of other receivables is necessary as there was no recent history of default in respect of these debtors.

19. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

20. CASH AND BANK BALANCES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash and bank balances	1,633,887	1,736,724	1,852	698
Less: Pledged deposit (note)	(2,420)	—	—	—
Cash and cash equivalents	1,631,467	1,736,724	1,852	698

Note: As at 31 March 2009, the Group had a pledged deposit amounting to EUR272,000 (equivalent to approximately RMB2,420,000) in respect of acquisition of machinery and temporarily not available for use. The pledged deposit has been released subsequent to the balance sheet date.

Cash at banks earns interest at floating rates based on daily bank deposit rates. During the year ended 31 March 2008, short-term bank deposits were made for varying periods of between seven days and three months depending on the immediate cash requirement of the Group, and earn interest at the respective short-term time deposit rates, ranging from 3% to 5% per annum.

As at 31 March 2009, the Group had cash and bank balances denominated in RMB amounting to approximately RMB1,625,848,000 (2008: approximately RMB1,352,335,000), which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

21. TRADE PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade payables	1,877	214	—	—
Accrued liabilities and other payables*	45,085	31,290	19,385	15,581
	46,962	31,504	19,385	15,581

* Accrued liabilities and other payables included directors' remuneration payable to the Company's directors which amounted to RMB13,428,000 (2008: RMB14,302,000). The amount payable to directors was unsecured, non-interest bearing and repayable within twelve months after the balance sheet date.

22. AMOUNT DUE TO A DIRECTOR

The amount due to Mr. Liu Shuqing ("Mr. Liu"), a director of the Company, is unsecured, non-interest bearing and repayable on demand. During the year ended 31 March 2009, the amount due to Mr. Liu had been fully settled.

23. CONVERTIBLE BONDS

The carrying values of the derivative component and liability component of the convertible bonds are as follows:

The Group and the Company	2009 RMB'000	2008 RMB'000
Liability component	1,025,843	953,278
Derivative component – classified as current liabilities	68,358	56,964

Pursuant to an announcement (the “Announcement”) dated 8 December 2006 and an offering circular of the Company (the “Offering Circular”) dated 2 January 2007, the Company issued zero coupon convertible bonds (the “Convertible Bonds”) with an aggregate principal amount of US\$150,000,000 on 5 January 2007 (the “Offering”). The Convertible Bonds are convertible into ordinary shares of the Company of HK\$0.5 each at an initial conversion price of S\$2 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserves, distribution and certain other dilutive events at any time on and after 14 February 2007 and up to the close of business on 26 December 2011. The number of ordinary shares to be issued on conversion will be determined by dividing the principal amount of the Convertible Bonds (translated into Singapore dollars at the fixed rate of S\$1.5389 = US\$1.00) by the conversion price in effect at the conversion date. Unless previously redeemed, converted or purchased and cancelled, each of the Convertible Bonds will be redeemed at 129.58% of the principal amount on 5 January 2012, the maturity date of the Convertible Bonds (“Maturity Date”).

The Convertible Bonds are traded on the SGX-ST and no conversion of the Convertible Bonds has occurred up to 31 March 2009.

Both the Company and the holders of Convertible Bonds have redemption options on the Convertible Bonds pursuant to the Offering Circular.

On 5 January 2010 (the “Put Option Date”), the holders of Convertible Bonds will have the right at such holders’ options, to require the Company to redeem all or some only of the Convertible Bonds of such holders on the Put Option Date at 116.82% of their principal amount (the “Early Redemption of Bondholders”).

On or at any time after 5 January 2010 and prior to the Maturity Date, the Company may redeem all and not some only of the Convertible Bonds at their early redemption amount on the date fixed for such redemption if the closing price per share for each of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published, is at least 130% of the early redemption amount in effect on such trading day divided by the conversion ratio. The Company may also redeem in whole, and not in part, at any time at the option of the Company at their early redemption amount on the date fixed for the redemption if at least 90% in aggregate principal amount of the Convertible Bonds originally issued has been redeemed, converted, or purchased and cancelled. The early redemption amount is determined based on a gross yield of 5.25% per annum, calculated on a semi-annual basis.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

23. CONVERTIBLE BONDS (CONTINUED)

In the event of the Company's shares cease to be listed or admitted to trading on the SGX-ST, or there is a change of control which is defined as acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise, each holder of the Convertible Bonds shall have the right, at such holder's option, to require the Company to redeem all or some only of the Convertible Bonds on the relevant event redemption date at their early redemption amount.

Further details of the terms and conditions of the Offering have been set out in the Announcement and the Offering Circular.

The Group determined that the functional currency of the Company is HK\$ and the conversion of the US Dollars Convertible Bonds at convertible price denominated in Singapore dollars will not result in settlement by the exchange of a fixed amount of cash in HK\$ for a fixed number of the Company's shares. In accordance with the requirements of IAS 32 and 39, the bond contract is separated into two components: a compound derivative component consisting of the conversion option and the redemption option, and a liability component consisting of the straight debt element. The compound derivative component is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the income statement in the period when the change occurs.

The fair value of the derivative component of the Convertible Bonds was calculated using the Binomial model with the major inputs used in the model as follows:

	2009	2008
Stock price	S\$0.315	S\$0.650
Expected volatility	50%	40%
Risk free rate	1.17%	3%
Expected life	2.77 years	3.77 years
Expected dividend yield	1%	1%

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the derivative component during the year ended 31 March 2009 resulted in a fair value loss of RMB12,677,000 (2008: fair value gain of RMB76,946,000), which has been recorded as the "Change in fair value of derivative financial instruments" in the consolidated income statement for the year ended 31 March 2009.

The initial carrying amount of the liability component is the residual amount after deducting the issuance cost of the Convertible Bonds and the fair value of the derivative component as at 5 January 2007, and is subsequently carried at amortised cost. Interest expense is calculated using the effective interest method by applying the effective interest rate of 10.1% to the adjusted liability component.

Due to the possible Early Redemption of Bondholders and because the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date, the Convertible Bonds which are carried at amortised cost, amounted to RMB1,025,843,000, are classified under current liability as at 31 March 2009. The Company's cash repayment exposure arising from the Early Redemption of Bondholders on 5 January 2010 is approximately US\$175,230,000 (approximately RMB1,205,184,000) on the assumption that all bondholders exercise their rights to require the Company to redeem all of the Convertible Bonds on that date.

23. CONVERTIBLE BONDS (CONTINUED)

As detailed in the Company's announcement dated 31 March 2009, the Company launched a repurchase for cash a portion of the outstanding Convertible Bonds in an amount up to a maximum aggregate repurchase amount of US\$40,000,000 (approximately RMB275,109,000), by way of an invitation to holders of Convertible Bonds to tender their Convertible Bonds for repurchase. In connection with this invitation, an amount of US\$40,000,000 (approximately RMB275,109,000) has been advanced to ABN AMRO Bank N.V., Singapore Branch, the tender agent, as at 31 March 2009 and that amount was included in prepayments in the balance sheets as at 31 March 2009.

24. SHARE CAPITAL

<u>Ordinary shares of HK\$0.5 each</u>	Number of shares	Amount HK\$'000
Authorised:		
At 31 March 2007, 2008 and 2009	1,000,000,000	500,000
	Number of shares	Amount RMB'000
Issued and fully paid:		
At 31 March 2007, 2008 and 2009	738,600,000	381,587

25. RESERVES

Capital reserve

The capital reserve of the Group represented the waiver of the obligation to repay an aggregate amount of US\$11,419,000 (equivalent to RMB94,511,000) due to the shareholders of Cattin pursuant to a deed of waiver dated 16 July 2001.

Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired which included the conversion of the redeemable convertible preference shares as a result of the restructuring exercise in connection with the initial public offering, and the nominal value of the share capital of the Company issued in exchange thereof.

Share premium

Under the bye-laws of the Company, the share premium account may be distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

26. MAJOR NON-CASH TRANSACTIONS

As at 31 March 2009, the other payables included outstanding amount in respect of the Group's acquisition of property, plant and equipment amounting to RMB9,681,000 (2008: Nil).

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

26. MAJOR NON-CASH TRANSACTIONS (CONTINUED)

Final dividend for the year ended 31 March 2007 was partially settled by i) amount due to a director, which amounted to RMB14,027,000 in respect of the portion entitled by Mr Liu; and ii) other payable, which amounted to RMB125,000 in respect of the portion entitled by another shareholder.

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:-

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or new debts, or sell assets to reduce debt.

The capital-to-overall financing ratio at balance sheet date was as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Current liabilities		
– Derivative financial instruments	68,358	56,964
– Convertible bonds	1,025,843	–
	1,094,201	56,964
Non-current liabilities		
– Convertible bonds	–	953,278
Overall financing	1,094,201	1,010,242
Total equity	2,188,709	1,818,649
Debt to equity ratio	50%	56%

28. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:-

(i) Capital commitment

	2009 RMB'000	Group 2008 RMB'000
Contracted, but not provided for		
– Construction of production facilities	8,494	29,572
– Plant and machinery	11,985	45,905
	20,479	75,477

(ii) Commitments under operating leases

The Group leases certain of its land and farms under operating lease arrangements. Leases for land and farms are typically negotiated for terms ranging from six months to thirty years, with an option for renewal after expiry at which time all terms may be renegotiated. The current rent payable on the leases ranged from RMB15,000 to RMB250,000 (2008: RMB15,000 to RMB330,000) per month. None of the above leases includes contingent rentals.

Total future minimum lease payments under non-cancellable operating leases for land and farms are as follows:

	2009 RMB'000	Group 2008 RMB'000
Within one year	8,457	13,508
In the second to fifth years, inclusive	11,721	17,931
	20,178	31,439

- (iii) On 14 August 2008, the Group entered into an investment agreement with the Heilongjiang Animal Breeding Centre (“黑龙江省家畜繁育指导站”) (“HABC”), a PRC government owned agriculture bureau based in Heilongjiang Province and a third party, to acquire a shareholding stake in a joint venture company (the “JV Co”) to be formed by the parties (the “Investment”). Pursuant to the agreement, the Company will own 40% of the JV Co, with HABC and the third party owning the remaining 40% and 20% of the JV Co respectively. The consideration committed by the Group for the Investment shall be approximately RMB140,000,000 payable in cash. As at 31 March 2009, the Investment has not been completed. Further details of which have been set out in the Company's announcement dated 14 August 2008.

The Company did not have any significant commitments as at 31 March 2009 (2008: Nil).

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

29. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivatives financial instruments for trading purposes.

As at 31 March 2009, the Group's financial instruments mainly consisted of cash and bank balances, trade receivables, other receivables, trade payables, other payables, amount due to a director, derivative financial instruments and convertible bonds.

(i) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits. The Group does not have significant exposure to interest rate risk in respect of the Group's convertible bonds as they are stated at amortised cost. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

Interest rate sensitivity

If the saving interest rates had been increased/decreased by 10 basis points at the beginning of the year and all other variables were held constant, the Group's profit after tax for the year and retained profits would increase/decrease by approximately RMB1,619,000 (2008: RMB1,782,000) respectively. The 10 basis point increase or decrease represents management's assessment of a reasonably possible change in saving interest rate over the period until the next annual balance sheet date. Changes in saving interest rates have no impact on the Group's other components of equity.

Sensitivity of the Company's profit after tax and retained earnings to a reasonably possible change in saving interest rates over the period until the next annual balance sheet date is assessed to be immaterial. Changes in saving interest rates have no impact on the Company's other components of equity.

(ii) Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily related to cash and cash equivalents and prepayments denominated in currencies other than RMB, the functional currency of the Group entity to which the balance related.

29. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(ii) Foreign currency risk (continued)

Foreign currency rate sensitivity

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rate had occurred at the balance sheet date and had been applied to the Company's/Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The assumed changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date with reference to the historical trend of RMB against USD and HKD. A 5% (strengthening)/weakening of RMB against USD and HKD at the balance sheet date would (decrease)/increase in the Company's/Group's profit after tax for the year and retained profits by the amount shown below. Changes in foreign exchange rates have no impact on the Company's/Group's other components of equity.

	2009 (Loss)/Profit RMB'000	Group 2008 (Loss)/Profit RMB'000
5% (strengthening)/weakening of RMB against		
– USD	(2,142)/2,142	(19,121)/19,121
– HKD	(14)/14	(109)/109

Sensitivity of the Company's profit after tax and retained earnings to a reasonably possible change in foreign exchange rates of RMB against USD and HKD over the period until the next annual balance sheet date is assessed to be immaterial. Changes in foreign exchange rates of RMB against USD and HKD have no impact on the Company's other components of equity.

(iii) Credit risk

The maximum credit risk exposure of the financial assets is summarised in note (vii) below.

The Group's bank balances are mainly deposited with the banks in Hong Kong and the PRC.

The Group has significant concentration of credit risk arising from its ordinary course of business due to its relatively small customer base. Trade receivables of RMB119,288,000 (2008: RMB59,122,000) mainly represented receivables from government livestock bureaus and dairy product manufacturers in the PRC.

There is no requirement for collateral by the Group.

The Group's cash and bank balances, which are mainly deposits with major banks in the PRC, comprised the aggregate bank balance of approximately RMB1,624,876,000 (2008: RMB1,351,756,000) maintained with a major bank in the PRC.

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

29. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(iv) Fair values

The fair values of the Group's current financial assets and liabilities as at 31 March 2009 and 31 March 2008 are not materially different from their carrying amounts because of their immediate or short term maturity.

(v) Price risk

The Group is required to estimate the fair value of the compound derivative (including the conversion option and redemption option) of the Convertible Bonds at each balance sheet date which therefore exposed the Group to its own equity instruments price risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting dates.

If the share price and volatility of share price inputted to the valuation model had been 10% (2008: 10%) higher while all other variables were held constant, the profit after tax for the year ended 31 March 2008 and 31 March 2009 would decrease by approximately RMB12,303,000 and RMB2,158,000 respectively for the Group and the Company, principally as a result of the changes in fair value of the compound derivative of the Convertible Bonds.

If the share price and volatility of share price inputted to the valuation model had been 10% lower while all other variables were held constant, the profit after tax for the year ended 31 March 2008 and 31 March 2009 would increase by approximately RMB10,167,000 and RMB1,022,000 respectively for the Group and the Company, principally as a result of the changes in fair value of the compound derivative of the Convertible Bonds.

The 10% higher or lower represents management's assessment of a reasonably possible range of share price and volatility of share price over the period until the next annual balance sheet date.

(vi) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The Group is exposed to liquidity risk arising from certain redemption rights of the Convertible Bonds (note 23).

29. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(vi) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet dates, based on the contracted undiscounted payments, was as follows:

Group

	2009				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	1,877	–	–	–	1,877
Other payables	43,860	–	–	–	43,860
Convertible bonds #	–	275,109	883,802	–	1,158,911
	45,737	275,109	883,802	–	1,204,648

	2008				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	214	–	–	–	214
Other payables	29,616	–	–	–	29,616
Amount due to a director	33,123	–	–	–	33,123
Convertible bonds #	–	–	–	1,367,419	1,367,419
	62,953	–	–	1,367,419	1,430,372

Company

	2009				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Other payables	18,327	–	–	–	18,327
Convertible bonds #	–	275,109	883,802	–	1,158,911
	18,327	275,109	883,802	–	1,177,238

	2008				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Other payables	14,133	–	–	–	14,133
Amount due to a director	14,027	–	–	–	14,027
Convertible bonds #	–	–	–	1,367,419	1,367,419
	28,160	–	–	1,367,419	1,395,579

Notes to the Financial Statements (continued)

for the year ended 31 March 2009

29. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(vi) Liquidity risk (continued)

For the purpose of this maturity analysis, as at 31 March 2009, the maximum aggregate repurchase amount of US\$40,000,000 Convertible Bonds as detailed in note 23 were included in "Less than 3 months". The remaining US\$110,000,000 Convertible Bonds were calculated at 116.82% of principal amount on 5 January 2010 (being the Put Option Date of the Convertible Bonds (note 23)) and were included in "3 to less than 12 months".

As at 31 March 2008, Convertible Bonds were calculated at 129.58% of principal amount of US\$150,000,000 on 5 January 2012 (being the maturity date of the Convertible Bonds (note 23)) and were included in "Over 1 year".

(vii) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the balance sheet dates are also analysed into the following categories.

Financial assets

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Loan and receivables				
– Trade receivables	119,288	59,122	–	–
– Other receivables	45,208	222	–	–
– Amount due from a subsidiary	–	–	976,972	1,249,651
	164,496	59,344	976,972	1,249,651
Cash and bank balances	1,633,887	1,736,724	1,852	698
	1,798,383	1,796,068	978,824	1,250,349

Financial liabilities

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Financial liabilities measured at amortised cost				
– Trade payables	1,877	214	–	–
– Other payables	43,860	29,616	18,327	14,133
– Amount due to a director	–	33,123	–	14,027
– Convertible bonds	1,025,843	953,278	1,025,843	953,278
	1,071,580	1,016,231	1,044,170	981,438
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	68,358	56,964	68,358	56,964
	1,139,938	1,073,195	1,112,528	1,038,402

30. FINANCIAL RISK MANAGEMENT STRATEGIES RELATING TO DAIRY LIVESTOCK

The Group is exposed to financial risks arising from changes in prices of dairy livestock and dairy livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group has not entered into derivative or other contracts to manage the risk of fluctuation in the prices of dairy livestock, dairy livestock's agricultural produce and feed ingredients. The Group reviews its exposure for the prices of dairy livestock, dairy livestock's agricultural produce and feed ingredients regularly in considering the need for active financial risk management.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its dairy livestock on a regular basis and have procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by disease epidemics.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material related party transactions:-

(i) Compensation of key management personnel

	2009 RMB'000	Group 2008 RMB'000
Total remuneration of directors and other members of key management during the year		
– short-term employee benefits	16,446	16,258

32. POST BALANCE SHEET EVENT

Further to the invitation offer for Convertible Bonds repurchase as detailed in note 23, subsequent to the balance sheet date, in April 2009, Convertible Bonds with principal amount of US\$3,800,000 (approximately RMB26,013,000) have been repurchased by the Company at a consideration of US\$3,610,000 (approximately RMB24,713,000).

33. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 42 to 77 were approved and authorised for issue by the board of directors on 18 June 2009.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Grand Hyatt Singapore, Camellia 1, Level 3, 10 Scotts Road, Singapore 228221 on Monday, 13 July 2009 at 10 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2009, together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect Mr. Liu Litao, being a Director who retires pursuant to Article 86 of the Company's Articles of Association. *[See Explanatory Note (i)]* **(Resolution 2)**
3. To re-elect Mr. Loo Choon Chiaw, being a Director who retires pursuant to Article 86 of the Company's Articles of Association. *[See Explanatory Note (ii)]* **(Resolution 3)**
4. To re-elect Mr. Sum Yee Loong, being a Director who retires pursuant to Article 86 of the Articles of Association of the Company. *[See Explanatory Note (iii)]* **(Resolution 4)**
5. To approve the payment of Directors' fees of RMB1,267,512.00 for the financial year ended 31 March 2009. **(Resolution 5)**
6. To re-appoint Messrs Grant Thornton, Certified Public Accountants, Hong Kong as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

7. To consider and if deemed fit to pass the following Ordinary Resolution with or without modifications:-

That pursuant to Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue whether by way of rights, bonus or otherwise (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalisation issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive; or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, PROVIDED THAT:-

- (i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of the issued shares (excluding treasury shares) of the Company; and

AS SPECIAL BUSINESS (CONTINUED)

- (ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this Resolution, the percentage of the issued share capital shall be based on the Company's total number of the issued shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares; and
 - (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
 - (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. *[See Explanatory Note (iv)]* **(Resolution 7)**
8. To transact any other business that may properly be transacted at an Annual General Meeting. **(Resolution 8)**

By Order of the Board

Ng Joo Khin / Choi Ho Yan
Joint Company Secretaries

Singapore, 27 June 2009

Notice of the Annual General Meeting (continued)

Explanatory Notes

- (i) **Resolution 2** – Pursuant to Article 86, Mr Liu Litao will retire at the forthcoming Annual General Meeting and shall be eligible for re-election at that meeting.
- (ii) **Resolution 3** – Pursuant to Article 86, Mr. Loo Choon Chiaw will retire at the forthcoming Annual General Meeting and shall be eligible for re-election at that meeting.
- (iii) **Resolution 4** – Pursuant to Article 86, Mr. Sum Yee Loong will retire at the forthcoming Annual General Meeting and shall be eligible for re-election at that meeting.
- (iv) **Resolution 7**, if passed, will authorise the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company up to an amount not exceeding 50% of the Company's total number of issued shares (excluding treasury shares) with an aggregate sub-limit of 20% of the Company's total number of issued shares (excluding treasury shares) other than on a pro rata basis to shareholders of the Company. The Company cannot rely on the authority given under Resolution 7 for an issue of convertible securities if the maximum number of shares to be issued upon conversion cannot be determined at the time of issue of the convertible securities.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the office of the Company's Share Transfer Agent, Tricor Barbinder Share Registration Services, at 8 Cross Street, #11-00, PWC Building, Singapore 048424 not less than forty-eight (48) hours before the time set for the holding of the Annual General Meeting.
2. If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting, then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office at the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, at 8 Cross Street, #11-00, PWC Building, Singapore 048424, at least forty-eight (48) hours before the time of the Annual General Meeting.
3. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be signed and deposited at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, at 8 Cross Street, #11-00, PWC Building, Singapore 048424, at least forty-eight (48) hours before the time of the Annual General Meeting.

Statistics of Shareholdings

as at 11 June 2009

SHARE CAPITAL

Authorised share capital	:	HK\$500,000,000
Issued and fully paid-up	:	HK\$369,300,000
Class of shares	:	1
Voting rights	:	One vote per share

TREASURY SHARES

Ordinary Shares held in Treasury ("Treasury Shares")

Voting Rights	:	None
Number of Treasury Shares held	:	0
Percentage of this holding against the total number of issued shares excluding treasury shares	:	0%

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual") requires that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) of a listed company in a class that is listed are at all times held by the public.

Based on the information available to the Company, approximately 51.26% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	13	0.31	2,526	0.00
1,000 – 10,000	2,484	59.06	15,565,328	2.11
10,001 – 1,000,000	1,690	40.18	74,140,195	10.04
1,000,001 and above	19	0.45	648,891,951	87.85
TOTAL	4,206	100.00	738,600,000	100.00

Statistics of Shareholdings (continued)

as at 11 June 2009

TWENTY LARGEST SHAREHOLDERS

	Name of Shareholder	No. of Shares	% of Shares
1	LIU SHUQING	323,070,000	43.74
2	DBS NOMINEES PTE LTD	99,948,200	13.53
3	RAFFLES NOMINEES (PTE) LTD	50,353,391	6.82
4	HSBC (SINGAPORE) NOMINEES PTE LTD	39,684,700	5.37
5	CITIBANK NOMINEES SINGAPORE PTE LTD	37,030,546	5.01
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	24,604,000	3.33
7	DMG & PARTNERS SECURITIES PTE LTD	21,563,000	2.92
8	MORGAN STANLEY ASIA (SINGAPORE) PTE LTD	16,871,114	2.28
9	DBSN SERVICES PTE LTD	8,573,000	1.16
10	DB NOMINEES (SINGAPORE) PTE LTD	5,013,000	0.68
11	UOB KAY HIAN PTE LTD	3,513,000	0.48
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,326,000	0.45
13	KO WOON HONG	3,061,000	0.41
14	OCBC SECURITIES PRIVATE LTD	2,893,000	0.39
15	CRYSTAL PLANET INVESTMENT LTD	2,850,000	0.39
16	PHILLIP SECURITIES PTE LTD	2,837,000	0.38
17	LIM & TAN SECURITIES PTE LTD	1,353,000	0.18
18	KIM ENG SECURITIES PTE. LTD.	1,231,000	0.17
19	BNP PARIBAS SECURITIES SINGAPORE PTE LTD	1,117,000	0.15
20	CIMB-GK SECURITIES PTE. LTD.	959,000	0.13
	TOTAL	649,850,951	87.97

SUBSTANTIAL SHAREHOLDER

Shareholder's Name	Direct Interest	%	Deemed Interest	%
LIU SHUQING	323,070,000	43.74	36,930,000	5.00

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Equal Brand Design

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