
HISTORY, REORGANIZATION AND GROUP STRUCTURE

OVERVIEW

Shengmu is the largest organic milk company in China with a 54.2% market share based on 2013 organic raw milk production volume, according to the F&S Report. We began to offer organic liquid milk products in June 2012 under the brand “Shengmu 圣牧,” which has been rapidly gaining recognition in the PRC dairy industry. Set forth below are the key milestones in our history.

- *October 2009.* Established Inner Mongolia Shengmu High-tech Farming Co., Ltd. (內蒙古聖牧高科牧業有限公司), our PRC holding company.
- *May 2011.* Received the Gold Medal of BioFach China International Organic Trade Fair and Conference (中國國際有機食品博覽會金獎) for the first time.
- *May — July 2011.* Received certification from the COFCC (中綠華夏有機食品認證中心) under the PRC standard for organic dairy farming and processing for the first time.
- *November 2011.* Received certification from ECOCERT S.A. under the E.U. standard for organic dairy farming for the first time.
- *June 2012.* Launched organic liquid milk products under the brand “Shengmu 圣牧.”
- *December 2013.* Established China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), our Company and offshore [REDACTED] vehicle.
- *December 2013 — February 2014.* Introduced institutional investors, including Goldman Sachs, Baring, Sequoia and BOCI.
- *March 2014.* Signed Long-term Strategic Cooperation Agreement with Shengmu Forage to secure long-term exclusive supplies of organic feed.
- *March 2014.* Completed the Reorganization in anticipation of the [REDACTED].

HISTORY AND DEVELOPMENT

Early Investors and Shareholders

Shengmu Holding and Initial Controlling Shareholders

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on December 11, 2013, and became the offshore holding company of our Group as a result of the Reorganization. See “— Reorganization.” We trace our history back to the establishment of Shengmu Holding, our PRC holding company, in Inner Mongolia in October 2009. Our lead founder, Mr. YAO Tongshan (姚同山), together with 21 other parties, were the initial

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shareholders of Shengmu Holding. Mr. YAO Tongshan previously spent eight years with Mengniu Group, one of the leading PRC dairy companies, and accumulated extensive experience in the PRC dairy industry. For further details on Mr. YAO Tongshan’s relevant experience, see “Directors and Senior Management — Directors.”

A majority of the initial shareholders of Shengmu Holding, including Mr. YAO Tongshan, became acquainted with each other since 2001 through employment by, investment in or business dealings relating to Mengniu Group and funded their contribution to the initial registered capital of Shengmu Holding primarily with their personal financial resources and/or proceeds from selling their equity interests in Mengniu Group. In particular, a group of 12 initial shareholders reached a consensus among themselves since the founding of Shengmu Holding that each of them (except Mr. YAO Tongshan) would support Mr. YAO Tongshan’s decisions in relation to the operation and management of Shengmu Holding.

The table below sets out the shareholding structure of Shengmu Holding and the respective equity contribution amounts of the founding shareholders immediately after its establishment in October 2009.

	Shareholding percentage in Shengmu Holding as of establishment	Corresponding contribution amount to the registered capital
	(in percentages)	(RMB in thousands)
Initial Controlling Shareholders		
WANG Fuzhu (王福柱)	10.65%	28,000
YAO Tongshan (姚同山)	5.71%	15,000
SHI Jianhong (史建宏)	5.71%	15,000
WANG Zhenxi (王振喜)	4.57%	12,000
GUO Yunfeng (郭運鳳)	4.49%	11,800
YUN Jindong (雲金東)	4.19%	11,000
YANG Yaping (楊亞萍)	3.81%	10,000
YANG Yali (楊亞利)	3.81%	10,000
LU Shunyi (蘆順義)	3.81%	10,000
GAO Lingfeng (高凌鳳)	3.81%	10,000
WANG Zhen (王鎮)	3.81%	10,000
ZHANG Junke (張俊科)	1.90%	5,000
Subtotal	<u>56.27%</u>	<u>147,800</u>
Others	<u>43.73%</u>	<u>115,000</u>
Total	<u>100%</u>	<u>262,800</u>

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Joining of Mr. WU Jianye

Mr. YAO Tongshan became acquainted with Mr. WU Jianye (武建鄴) through business dealings. In view of Mr. WU Jianye’s extensive experiences in business management, Mr. YAO Tongshan invited Mr. WU Jianye to invest in Shengmu Holding and participate in its management. Mr. WU Jianye accepted the invitation and acquired a 2.98% equity interest in Shengmu Holding by a combination of cash contribution to the registered capital of Shengmu Holding in the amount of RMB4.58 million and acquisition of equity interest from certain initial shareholders totaling RMB4 million in September 2010. The consideration of Mr. WU Jianye’s investment in Shengmu Holding was equal to his corresponding contribution amount in Shengmu Holding’s registered capital. When Mr. WU Jianye invested in Shengmu Holding, he was aware of the acting-in-concert arrangement among our Initial Controlling Shareholders and agreed to be bound by the same arrangement in October 2010.

At the same time, there were certain other capital contributions and transfers of equity interests based on the corresponding amounts in the registered capital of Shengmu Holding. The table below sets out the shareholding structure of Shengmu Holding and the respective equity contribution amounts of its then-existing shareholders immediately after these transactions in September 2010.

	Shareholding percentage in Shengmu Holding	Corresponding contribution amount to the registered capital
	(In percentages)	(RMB in thousands)
A group of 13 shareholders acting in concert		
SHI Jianhong (史建宏)	9.95%	28,630
WANG Fuzhu (王福柱)	9.74%	28,000
YAO Tongshan (姚同山)	6.26%	18,000
GUO Yunfeng (郭運鳳)	4.84%	13,910
WANG Zhenxi (王振喜)	4.17%	12,000
GAO Lingfeng (高凌鳳)	4.17%	12,000
YUN Jindong (雲金東)	3.82%	11,000
YANG Yaping (楊亞萍)	3.48%	10,000
LU Shunyi (蘆順義)	3.48%	10,000
WANG Zhen (王鎮)	3.48%	10,000
YANG Yali (楊亞利)	3.30%	9,500
WU Jianye (武建鄴)	2.98%	8,580
ZHANG Junke (張俊科)	1.74%	5,000
Subtotal	61.41%	176,620
Others	38.59%	111,000
Total	100%	287,620

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Joining of Mr. CUI Ruicheng

Mr. CUI Ruicheng (崔瑞成) has been a senior management of Shengmu Holding since its establishment in October 2009 and agreed with the Initial Controlling Shareholders that he would support Mr. YAO Tongshan’s decisions in relation to the operation and management of Shengmu Holding. On October 18, 2010, the Initial Controlling Shareholders, Mr. CUI Ruicheng and Mr. WU Jianye entered into a written agreement to confirm the acting-in-concert arrangement among themselves. In March 2011, Mr. CUI Ruicheng contributed RMB2.96 million to the registered capital of Shengmu Holding and became a shareholder holding a 1.02% equity interest of Shengmu Holding.

At the same time, Mr. WU Jianye acquired from a then-existing shareholder his equity contribution of RMB3.5 million in Shengmu Holding. The table below sets out the shareholding structure of Shengmu Holding and the respective equity contribution amounts of its then-existing shareholders immediately after these transactions in March 2011.

	Shareholding percentage in Shengmu Holding	Corresponding contribution amount to the registered capital
	(In percentages)	(RMB in thousands)
A group of 14 shareholders acting in concert (Ultimate Controlling Shareholders)		
SHI Jianhong (史建宏)	9.85%	28,630
WANG Fuzhu (王福柱)	9.64%	28,000
YAO Tongshan (姚同山)	6.19%	18,000
GUO Yunfeng (郭運鳳)	4.79%	13,910
WU Jianye (武建鄴)	4.16%	12,080
WANG Zhenxi (王振喜)	4.13%	12,000
GAO Lingfeng (高凌鳳)	4.13%	12,000
YUN Jindong (雲金東)	3.79%	11,000
YANG Yaping (楊亞萍)	3.44%	10,000
LU Shunyi (蘆順義)	3.44%	10,000
WANG Zhen (王鎮)	3.44%	10,000
YANG Yali (楊亞利)	3.27%	9,500
ZHANG Junke (張俊科)	1.72%	5,000
CUI Ruicheng (崔瑞成)	1.02%	2,960
Subtotal	63.01%	183,080
Others	36.99%	107,500
Total	100%	290,580

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In view of expected change in the structure of our Group as a result of the Reorganization, on March 24, 2014, these 14 persons who became our Ultimate Controlling Shareholders as a result of the Reorganization entered into a supplemental agreement to extend the acting-in-concert arrangement to the management of our Group upon completion of the Reorganization. For further details, see “Relationship with Controlling Shareholders — Our Ultimate Controlling Shareholders Acting in Concert.”

Investment by Mengniu Group

In May 2011, Mengniu Investment, a Hong Kong-incorporated investment company wholly owned by Mengniu Group, an Independent Third Party, was approved by the Bureau of Commerce of Inner Mongolia Autonomous Region (內蒙古自治區商務廳) to subscribe for a 5.44% equity interest in Shengmu Holding for a consideration of RMB104.4 million, based on arm’s length negotiations between the parties with reference to the net asset value, earnings potential and growth prospects of our Group at the time of investment. The subscription consideration was irrevocably settled on May 31, 2011. Shengmu Holding was thus restructured into a Sino-foreign joint-venture company. For further details, see “— Pre-[REDACTED] Investments — Summary of Pre-[REDACTED] Investments.”

Mengniu Group is a large and reputable customer of our raw milk business. Its equity investment in us at our early development stage helped us finance our fast-growing business and enabled us to quickly expand into organic dairy farming operations. We entered into a framework cooperation agreement with Mengniu Group in March 2010, pursuant to which Mengniu Group agreed to lease dairy-farming facilities and equipment to our dairy farms located in Hohhot and Bayannur as well as its established dairy farms in Hohhot. Under this framework agreement, Mengniu Group agreed to support our purchase of dairy cows with credit facilities in the form of guarantee. In return, we agreed to meet certain milk output volume requirements. Mengniu Group also agreed to purchase all of our raw milk outputs that met its quality standards on a priority basis. For details of our business arrangements with Mengniu Group, see “Business — Our Customers — Agreements with Mengniu Group.”

Investment by Jinqiao Investment

As two of the then-existing shareholders of Shengmu Holding (other than our Ultimate Controlling Shareholders) sought to exit a portion of their investments, in December 2011, they sold a total of 0.45% equity interests in Shengmu Holding for an aggregate consideration of RMB14.25 million to Jinqiao Investment, a PRC investment fund and an Independent Third Party. The purchase price was based on arm’s length negotiations between the parties. Jinqiao Investment subsequently sold its investment in Shengmu Holding to Mr. CUI Ruicheng in February 2014. For further details, see “— Reorganization — Pre-[REDACTED] Investments — Exit by Jinqiao Investment.”

Further Investments in Shengmu Holding by Its Shareholders

To further finance our operations, in May 2011 and May 2012, the then-existing shareholders of Shengmu Holding made additional equity contributions to the registered capital of Shengmu Holding. The subscription consideration was based on arm’s length negotiations among the parties.

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The table below sets out the shareholding structure of Shengmu Holding and the respective equity contribution amounts of its then-existing shareholders immediately after the capital contribution in May 2012.

	Shareholding percentage in Shengmu Holding	Corresponding contribution amount to the registered capital
	(In percentages)	(RMB in thousands)
Ultimate Controlling Shareholders	62.07%	212,280
Mengniu Group	5.26%	18,000
Jinqiao Investment	0.44%	1,500
Others	32.23%	110,300
Total	100%	342,080

PRC Operations

As of the Latest Practicable Date, Shengmu Holding had 19 wholly- or non-wholly-owned PRC subsidiaries, primarily consisting of companies operating our dairy farms located principally in Hohhot and Bayannur. For further details of our PRC subsidiaries, see “— History and Development — Pre-Reorganization Shengmu Holding Structure.” In addition to 15 PRC subsidiaries existing prior to the Reorganization, we established four PRC subsidiaries following the completion of the Reorganization in March 2014. As of the Latest Practicable Date, these newly-established PRC subsidiaries had not commenced operations. For further details of these newly-established PRC subsidiaries, see “ — Our Corporate Structure.”

The majority of our dairy-farm companies are operated through collaborative arrangements with local dairy farmers. In recent years, with favorable local government support, a number of local dairy farms emerged in the western part of Inner Mongolia as well as the neighboring areas of the Ulan Buh desert. Many of these dairy farms ran into financial difficulties during the “melamine incident” in 2008. For further details of the “melamine incident” and its impact on the PRC dairy industry, see “Risk Factors — Risks Relating to the PRC Dairy Industry — The existence of tainted or contaminated milk produced in China could negatively affect the image of China’s dairy industry.” Under these circumstances, we and owners of these dairy farms decided to work together and incorporate dairy-farm companies. Generally, we contributed cash for 55% to 65% equity interests in the newly-formed dairy-farm companies, with the owners of the farms subscribing for the remaining 35% to 45% of these companies’ equity interests in cash. We used such cash to construct new free-stall farms to raise cows. As the majority equity owner of these companies, we control the operations of the newly-formed farms and implement our standard dairy farming processes on these farms. The minority equity owners are primarily responsible for the day-to-day management of such newly-formed farms. For further details of our dairy-farm companies and their respective shareholding structure, see “ — History and Development — Pre-Reorganization Shengmu Holding Structure.”

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In January 2011, Shengmu Holding entered into a cooperation agreement with an asset management company affiliated with Inner Mongolia University (內蒙古大學), or IMU Company, an Independent Third Party, pursuant to which the parties agreed to incorporate a dairy-farm company, IMU-Shengmu Dairy, as business partners. IMU-Shengmu Dairy launched a research-oriented dairy farm by commercializing a proprietary know-how contributed by IMU Company. As of the establishment of IMU-Shengmu Dairy, Shengmu Holding and IMU Company owned 55% and 45% equity interests in IMU-Shengmu Dairy, respectively. Pursuant to an agreement dated May 29, 2013 and as confirmed by Inner Mongolia University, IMU Company gave Mr. LI Guangpeng (李光鵬), an Independent Third Party, a 15% equity interest in IMU-Shengmu Dairy at nil consideration. As a result, Shengmu Holding, IMU Company and Mr. LI Guangpeng owned 55%, 30% and 15% equity interests in IMU-Shengmu Dairy, respectively. As part of the Reorganization, our shareholding in IMU-Shengmu Dairy increased to 70%. See “— Reorganization — Capital Contributions to Dairy-farm Companies.”

Established in 2011, Shengmu Dairy is our wholly-owned subsidiary and is principally engaged in the production and sale of our liquid milk products under the “Shengmu 圣牧” brand. The establishment of Shengmu Dairy was part of the strategy to expand our operation into liquid milk business. Our liquid milk products are fully organic, certified by the COFCC in China and ECOCERT S.A. in Europe. We sell our liquid milk products to consumers primarily through regional distributors.

In addition, Shengmu Dairy currently owns minority equity interests in four distribution companies, which are principally engaged in the distribution of dairy products and serve as our distribution arms in addition to third-party distributors and direct-sale channels. In particular, Shengmu Dairy owned 41.67% and 30% equity interests in Shanghai Saihan and Beijing Shengmu, respectively, prior to the Reorganization in December 31, 2013, and acquired minority equity interests in two other distribution companies, namely, Anhui Meilichen (as to 40%) and Tianjin Mengmu (as to 30%), in April 2014. Independent Third Parties own the remaining equity interests in these distribution companies. For further details of these distribution companies, see “— History and Development — Pre-Reorganization Shengmu Holding Structure” and “— Our Corporate Structure.” We believe that our investment in these distribution companies could enable us to more closely monitor and manage their sales activities in certain key markets with great growth potentials, and have entered into standard distribution agreements with these distribution companies. For the principal terms, see “Business — Sales, Marketing and Distribution — Distributor Management.”

Shengmu Forage

Established in April 2010, Shengmu Forage has been our primary source of organic feed. Shengmu Forage supplied substantially all the forage crops organically grown in its growing fields to us during the Track Record Period and up to the Latest Practicable Date. Shengmu Holding and Mr. WU Jianye were among the founding shareholders of Shengmu Forage. In 2011, Shengmu Forage and Pangu Group reached an understanding for the joint development of ecological economy in the Ulan Buh desert. Pursuant to this understanding, certain individuals associated with Pangu Group acquired equity interests in Shengmu Forage by making capital injections and also brought on the table their expertise in converting desert into growing fields. Since 2011, Pangu Group has been controlled by Ms. QIN Yuan (秦源) and Mr. QIN Guoqing (秦國慶), Mr. WU Jianye’s wife and father-in-law, respectively, who collectively hold 66.7% of Pangu Group’s equity interests. Mr. WU Jianye has not

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held any directorship or management role in Pangu Group since 2011. The remaining 33.3% equity interest of Pangu Group is held by Inner Mongolia Yuangu Biotechnology Co., Ltd. (內蒙古遠古生物工程有限公可), which is, to the best knowledge of our Directors, an Independent Third Party of Mr. WU and our Group. Pangu Group first came to the Ulan Buh desert to cultivate plantation and improve its ecological conditions in 1997 and had since accumulated extensive experience and know-how in growing forage in the desert. Leveraging on Pangu Group’s expertise, Shengmu Forage was able to quickly convert desert into growing fields for organic forage.

Since its establishment, Shengmu Forage has required significant capital to expand. As our dairy farming business was also in its early development stage and required significant capital and other resources, we chose to allocate our resources to our dairy farming business and helped obtain investments in Shengmu Forage from third-party investors. Shengmu Holding owned 65.02% equity interests in Shengmu Forage at the beginning of 2011. By December 26, 2011, among certain other investors, Mr. WU and Ms. GAO Lingfeng (our vice president and executive Director) had contributed additional capital to Shengmu Forage, as a result of which Mr. WU and Ms. GAO held 20.32% and 15.49%, respectively, and Shengmu Holding held 23.77%. As a result, we consolidated the statement of profit or loss and other comprehensive income of Shengmu Forage for the period from January 1, 2011 to December 26, 2011, but did not consolidate its statement of financial position as of December 31, 2011, as our equity interest and voting right in Shengmu Forage had already decreased to 23.77% due to such additional capital contributions.

Although we were no longer the controlling shareholder of Shengmu Forage as a result of our cooperation with Pangu Group, we and Pangu Group had reached a consensus on the business objectives of Shengmu Forage in cultivating organic growing fields. In 2012 and 2013, Shengmu Forage obtained additional capital injections from third party investors, and our shareholding in Shengmu Forage further decreased to 8.60%. For accounting purposes, Shengmu Forage has been accounted for as an associate of our Group since the end of 2011 as we have had more than 20% effective voting power. Shengmu Holding, Mr. WU and Ms. GAO, who are two of our Ultimate Controlling Shareholders, entered into an acting-in-concert arrangement which became effective on June 25, 2012 after the completion of further capital investments in Shengmu Forage by other investors, as a result of which Shengmu Holding, Mr. WU and Ms. GAO held an aggregate of 48.35% equity interests in Shengmu Forage. For details, please refer to “Relationship with Controlling Shareholders — Major Retained Businesses of Our Ultimate Controlling Shareholders — Shengmu Forage.” See “Relationship with Controlling Shareholders” for further details about our relationship with Shengmu Forage.

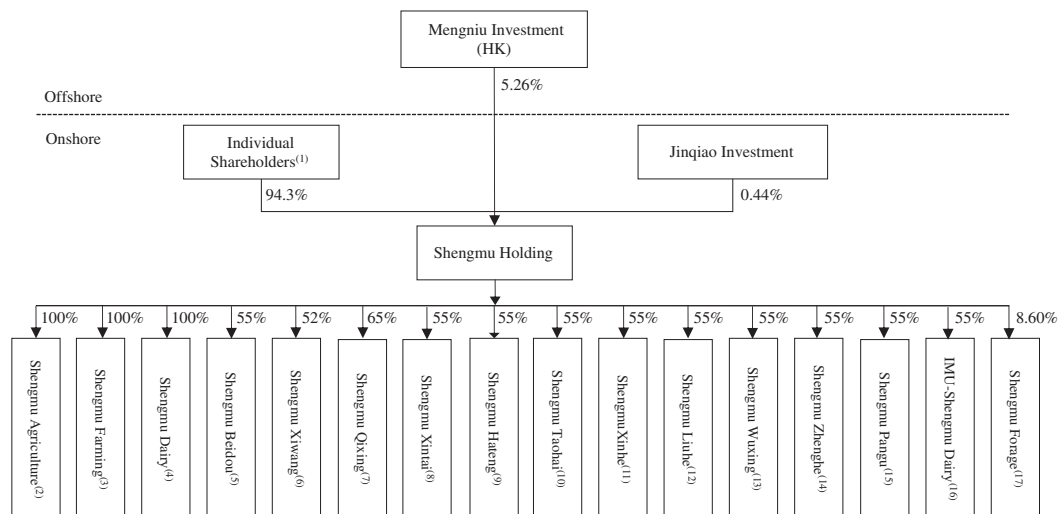
To further secure our relationship with Shengmu Forage, in March 2014, we entered into the Long-term Strategic Cooperation Agreement with Shengmu Forage for a term of 20 years, under which Shengmu Forage undertakes to continue its exclusive supply arrangement for organic forages with us and support our future expansion plans. For further details of our business arrangement with Shengmu Forage, see “Business — Suppliers and Procurement — Organic Feed.” In addition, Shengmu Forage and its shareholders (except Shengmu Holding) entered into letters of undertaking in April 2014, pursuant to which they agree not to issue or transfer any equity interests in Shengmu Forage to any third party without our prior written consent for a term of 20 years unless all the equity interests in

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Shengmu Forage have been transferred to us prior to the expiration of the 20-year term. For further details of these undertakings, see “Relationship with Controlling Shareholders — Major Retained Businesses of Our Ultimate Controlling Shareholders — Long-term Strategic Cooperation Agreement with Shengmu Forage and Undertakings from Shengmu Forage and Its Shareholders.”

Pre-Reorganization Shengmu Holding Structure

The chart below sets forth the shareholding structure of Shengmu Holding immediately prior to the Reorganization in December 2013.



- (1) Consist of 25 individuals, including a group of 14 persons constituting our Ultimate Controlling Shareholders following the Reorganization and 11 other individuals.
- (2) Inner Mongolia Shengmu Agriculture Technology Co., Ltd. (內蒙古聖牧農牧業科技有限公司), or Shengmu Agriculture, was established on March 20, 2012 in Hohhot, as a wholly-owned subsidiary of Shengmu Holding. It is principally engaged in technology development, training, transfer and consultancy.
- (3) Bayannur Shengmu High-tech Farming Co., Ltd. (巴彥淖爾市聖牧高科牧業有限公司), or Shengmu Farming, was established on January 21, 2010 in Bayannur, as a wholly-owned subsidiary of Shengmu Holding. It is principally engaged in dairy farming operations.
- (4) Inner Mongolia Shengmu High-tech Dairy Co., Ltd. (內蒙古聖牧高科奶業有限公司), or Shengmu Dairy, was established on July 29, 2011 in Bayannur, as a wholly-owned subsidiary of Shengmu Holding. It is principally engaged in dairy products processing operations. Immediately prior to the Reorganization in December 2013, Shengmu Dairy owned 41.67% and 30% equity interests in Saihan (Shanghai) Industrial Co., Ltd. (賽罕(上海)實業有限公司), or Shanghai Saihan, and Shengmu High-tech (Beijing) Trading Co., Ltd. (聖牧高科(北京)貿易有限公司), or Beijing Shengmu, respectively, which are principally engaged in the distribution of dairy products. These companies were established on September 24, 2012 and September 2, 2013, respectively, and Independent Third Parties owned their remaining equity interests.

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- (5) Bayannur Shengmu Beidou Farming Co., Ltd. (巴彥淖爾市聖牧北斗牧業有限公司), or Shengmu Beidou, was established on September 9, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and YANG Bin (楊斌), who is the director of Shengmu Dairy and Shengmu Agriculture, owned 55% and 45% in Shengmu Beidou, respectively. It is principally engaged in dairy farming operations.
- (6) Bayannur Shengmu Xiwang Farming Co., Ltd. (巴彥淖爾市聖牧希望牧業有限責任公司), or Shengmu Xiwang, was established on August 23, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding, WANG Zhen (王鎮), one of our Ultimate Controlling Shareholders, and SUN Xiyao (孫喜耀) owned 52%, 24% and 24% equity interests in Shengmu Xiwang, respectively. It is principally engaged in dairy farming operations.
- (7) Bayannur Shengmu Qixing Farming Co., Ltd. (巴彥淖爾市聖牧七星牧業有限公司), or Shengmu Qixing, was established on November 28, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and LI Ruijun (李瑞軍) owned 65% and 35% equity interests in Shengmu Qixing, respectively. It is principally engaged in dairy farming operations.
- (8) Otog Shengmu Xintai Farming Co., Ltd. (鄂托克旗聖牧欣泰牧業有限公司), or Shengmu Xintai, was established on August 24, 2012 in Otog Banner, Inner Mongolia. Immediately prior to the Reorganization in December 2013, Shengmu Holding and WANG Jinliang (王金良) owned 55% and 45% equity interests in Shengmu Xintai, respectively. It is principally engaged in dairy farming operations.
- (9) Bayannur Shengmu Hateng Farming Co., Ltd. (巴彥淖爾市聖牧哈騰牧業有限公司), or Shengmu Hateng, was established on April 16, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and CHEN Qingjun (陳慶軍) owned 55% and 45% equity interests in Shengmu Hateng, respectively. It is principally engaged in dairy farming operations.
- (10) Bayannur Shengmu Taohai Farming Co., Ltd. (巴彥淖爾市聖牧套海牧業有限公司), or Shengmu Taohai, was established on January 29, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and LI Yongqiang (李永強) owned 55% and 45% equity interests in Shengmu Taohai, respectively. It is principally engaged in dairy farming operations.
- (11) Bayannur Shengmu Xinhe Farming Co., Ltd. (巴彥淖爾市聖牧新禾牧業有限公司), or Shengmu Xinhe, was established on June 7, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and WANG Lixin (汪立新) owned 55% and 45% equity interests in Shengmu Xinhe, respectively. It is principally engaged in dairy farming operations.
- (12) Bayannur Shengmu Liuhe Farming Co., Ltd. (巴彥淖爾市聖牧六和牧業有限公司), or Shengmu Liuhe, was established on June 26, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and LI Yundong (李運動), a member of our senior management, owned 55% and 45% equity interests in Shengmu Liuhe, respectively. It is principally engaged in dairy farming operations.
- (13) Alxa Shengmu Wuxing Farming Co., Ltd. (阿拉善盟聖牧五星牧業有限公司), or Shengmu Wuxing, was established on June 20, 2013 in Alxa League, Inner Mongolia. Immediately prior to the Reorganization in December 2013, Shengmu Holding and QIN Shuzhen (秦淑珍) owned 55% and 45% equity interests in Shengmu Wuxing, respectively. It is principally engaged in dairy farming operations.
- (14) Bayannur Shengmu Zhenghe Farming Co., Ltd. (巴彥淖爾市聖牧正和牧業有限公司), or Shengmu Zhenghe, was established on August 23, 2013 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and CHANG Zhibo (常志拔) owned 55% and 45% equity interests in Shengmu Zhenghe, respectively. It is principally engaged in dairy farming operations.

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- (15) Bayannur Shengmu Pangu Farming Co., Ltd. (巴彥淖爾市聖牧盤古牧業有限責任公司), or Shengmu Pangu, was established on June 15, 2012 in Bayannur. Immediately prior to the Reorganization in December 2013, Shengmu Holding and WU Jianye (武建鄰), one of our Ultimate Controlling Shareholders, owned 55% and 45% equity interests in Shengmu Pangu, respectively. It is principally engaged in dairy farming operations.
- (16) Inner Mongolia IMU-Shengmu High-tech Farming Co., Ltd. (內蒙古內大聖牧高科牧業有限公司), or IMU-Shengmu Dairy, was established on July 5, 2011. Immediately prior to the Reorganization in December 2013, Shengmu Holding, IMU Aodu Asset Management Co., Ltd. (內蒙古大學奧都資產經營有限責任公司) and LI Guangpeng (李光鵬) owned 55%, 30% and 15% equity interests in IMU-Shengmu Dairy, respectively. It is principally engaged in dairy farming operations.
- (17) Bayannur Shengmu High-tech Ecological Forage Co., Ltd. (巴彥淖爾市聖牧高科生態草業有限公司), or Shengmu Forage, was established on April 28, 2010. Immediately prior to the Reorganization in December 2013, Shengmu Holding owned a 8.60% equity interest, certain of our Ultimate Controlling Shareholders and their associates collectively owned 33.82% equity interests, and CHEN Qingjun (陳慶軍), a connected person, owned a 2.96% equity interest in Shengmu Forage, respectively. Independent Third Parties owned the remaining equity interests in Shengmu Forage. It is principally engaged in forage cultivation operations. Shengmu Forage ceased to be a member of our Group in December 2011. Alxa Shengmu High-tech Ecological Forage Co., Ltd. (阿拉善盟聖牧高科生態草業有限公司), established on November 6, 2012, is a wholly-owned subsidiary of Shengmu Forage.

REORGANIZATION

Beginning in December 2013, we undertook the Reorganization in anticipation of the [REDACTED]. The Reorganization consisted of the following principal steps, which were primarily designed to introduce additional pre-[REDACTED] investors, establish the offshore [REDACTED] structure and inject additional capital into our PRC dairy-farm companies.

Pre-[REDACTED] Investments

As part of the Reorganization, Shengmu Holding introduced additional financial investors in anticipation of the [REDACTED].

Investments by Goldman Sachs and Baring

In December 2013, Goldman Sachs (Beijing) and Saint Investment (investment entities affiliated with Goldman Sachs) and Flourish Treasure (an investment entity wholly owned by Baring) entered into a share purchase agreement with certain individual shareholders of Shengmu Holding, pursuant to which Goldman Sachs (Beijing), Saint Investment and Flourish Treasure agreed to acquire 3.85%, 3.85% and 7.71% equity interests in Shengmu Holding, respectively from these selling shareholders. The aggregate consideration totaled RMB685.4 million, based on arm’s length negotiations among the parties with reference to the net asset value, earnings potential and growth prospects of our Group at the time of the investments. The consideration was irrevocably settled by these investors on January 9, 2014.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The table below sets forth the shareholding percentage of the selling shareholders before and after the share transfers in December 2013.

Selling shareholders	Shareholding percentage prior to the share transfer	Shareholding percentage after the share transfer
(In percentages)		
Ultimate Controlling Shareholders		
GUO Yunfeng (郭運鳳).....	5.53%	5.48%
GAO Lingfeng (高凌鳳)	4.49%	4.00%
YUN Jindong (云金東)	3.22%	2.87%
WANG Zhen (王鎮).....	3.22%	2.87%
LU Shunyi (蘆順義).....	2.95%	2.64%
YANG Yali (楊亞利).....	2.78%	2.48%
ZHANG Junke (張俊科).....	1.58%	1.41%
Other selling shareholders	22.22%	8.8%

Investments by Sequoia, King Capital and BOCI

Sequoia Capital, King Capital and BOCI Investment made their investments in Shengmu Holding through a single investment entity, Horizon King, a Hong Kong-incorporated company. In January 2014, Horizon King and Shengmu Holding entered into a share subscription agreement, pursuant to which Horizon King subscribed for a 12.54% equity interest in the increased share capital of Shengmu Holding for a consideration of RMB648.2 million. The consideration was determined based on arm’s length negotiations among the parties with reference to the net asset value, earnings potential and growth prospects of our Group at the time of the investments. The consideration was irrevocably settled by Horizon King on February 8, 2014.

Sequoia Capital, King Capital and BOCI Investment beneficially owned 51.07%, 30.08% and 18.85% equity interests in Horizon King, respectively. Mr. HAN Jingyuan (韓敬遠), a private investor and an Independent Third Party, is the sole shareholder of King Capital.

Exit by Jinqiao Investment

In February 2014, Jinqiao Investment sold its investment in Shengmu Holding to Mr. CUI Ruicheng, one of our Ultimate Controlling Shareholders following the Reorganization, for a consideration of RMB19.68 million, which was determined based on the valuation basis similar to the institutional investors in our Group during the Reorganization.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Summary of Pre-[REDACTED] Investments

The table below summarizes the details of the pre-[REDACTED] investments in our Group.

Name of pre-[REDACTED] investor	Brief description of investment	Date of agreement ⁽¹⁾	Consideration paid (RMB)	Irrevocable settlement date of consideration	No. of [REDACTED] subscribed or transferred (giving effect to the Capitalization Issue)	Cost per Share paid by each pre-[REDACTED] investor (HK\$) ⁽²⁾	Discount to [REDACTED] ⁽³⁾	Approximate percentage of shareholding interests held by pre-[REDACTED] investor in Shengmu Holding upon completion of each pre-[REDACTED] investment	Approximate percentage of shareholding interests held by pre-[REDACTED] investor in our Company upon completion of [REDACTED] ⁽⁴⁾
Start Great ⁽⁵⁾	Capital contribution in Shengmu Holding, which was exchanged into our [REDACTED] through a share swap on March 26, 2014	April 16, 2011	104,400,000	May 31, 2011	269,865,600	0.49	81.6%	5.44%	4.25%
Saint Investment (Mauritius)....	Share transfers in Shengmu Holding, which was exchanged into our [REDACTED] through a share swap on March 26, 2014	December 20, 2013	171,360,000	January 9, 2014	197,617,600	1.10	58.8%	3.85%	3.11%
Broad Street.....	Share transfers in Shengmu Holding, which was restructured into our [REDACTED] on March 24, 2014	December 20, 2013	171,360,000	January 9, 2014	197,617,600	1.10	58.8%	3.85%	3.11%
Greenbelt Global..	Share transfers in Shengmu Holding, which was exchanged into our [REDACTED] through a share swap on March 26, 2014	December 20, 2013	342,720,000	January 9, 2014	395,235,200	1.10	58.8%	7.71%	6.22%
Sequoia Capital....	Capital contribution in Shengmu Holding, which was exchanged into our [REDACTED] through a share swap on March 26, 2014	January 23, 2014	331,030,000	February 8, 2014	378,320,000	1.11	58.4%	6.40%	5.95%
BOCIPP ⁽⁶⁾	Capital contribution in Shengmu Holding, which was exchanged into our [REDACTED] through a share swap on March 26, 2014	January 23, 2014	122,170,000	February 8, 2014	139,622,856	1.11	58.4%	2.36%	2.20%
King Capital.....	Capital contribution in Shengmu Holding, which was exchanged into our [REDACTED] through a share swap on March 26, 2014	January 23, 2014	195,000,000	February 8, 2014	222,857,144	1.11	58.4%	3.77%	3.51%

(1) The agreements were entered into by the initial investment entities with Shengmu Holding at the relevant time.

(2) Calculated based on the exchange rate of RMB1 = HK\$1.265.

(3) Calculated based on [REDACTED] per Share, being the mid-point of the [REDACTED].

(4) Assumes no exercise of the [REDACTED] and options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Share Option Scheme.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

(5) Start Great was designated by Mengniu Dairy to receive the [REDACTED] in the share-swap transaction.

(6) BOCIFP was designated by BOCI Investment to receive the [REDACTED] in the share-swap transaction.

The proceeds received by Shengmu Holding from Mengniu Group were used in full primarily for the expansion of our dairy farming business by constructing new dairy farms and purchasing dairy cows. The proceeds received by Shengmu Holding from Horizon King (investment entity of Sequoia, BOCI and King Capital) will be used primarily to finance the construction of new dairy farms and production facilities, purchase of dairy cows and general corporate purposes.

As Goldman Sachs (Beijing), Saint Investment and Flourish Treasure made their investments through acquisition of shares from Shengmu Holding’s then-existing shareholders, we did not receive any proceeds from their investments in us.

Principal Terms of Investments

In connection with their investments in Shengmu Holding, the pre-[REDACTED] investors, Shengmu Holding and its then existing shareholders entered into a joint-venture agreement in December 2013 and an amendment thereto in January 2014. Pursuant to this joint-venture agreement, each of Goldman Sachs (Beijing), Saint Investment, Flourish Treasure and Horizon King was entitled to certain special shareholder rights. This joint-venture agreement (as amended) was terminated following the completion of the Reorganization in March 2014. Upon completion of the Reorganization, the pre-[REDACTED] investors entered into a shareholders agreement governing their rights and obligations in our Company. Pursuant to this shareholders agreement, each of the pre-[REDACTED] investors was entitled to certain special shareholder rights substantially similar to those under the original joint-venture agreement (as amended). For a summary of these shareholder rights, see “— Reorganization — Establishment of Offshore [REDACTED] Structure — Shareholders Agreement.”

Establishment of Offshore [REDACTED] Structure

Establishment of Our Company

On December 11, 2013, our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands with an authorized share capital of HK\$300,000 divided into 300,000 shares of a par value of HK\$1.00 each. On the same day, the initial subscriber share was transferred to World Shining. On February 14, 2014, the share capital of our Company was sub-divided into 30,000,000,000 [REDACTED] of par value of HK\$0.00001 each by sub-dividing every share of par value HK\$1.00 each into 100,000 [REDACTED] of par value of HK\$0.00001 each.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

On February 14, 2014, World Shining and Greater Honour subscribed for 774,830 and 125,170 [REDACTED] at HK\$0.00001 each in our Company, respectively, and as a result, World Shining and Greater Honour owned 87.48% and 12.52% equity interests in our Company, respectively.

World Shining is controlled by our Ultimate Controlling Shareholders. On February 14, 2014, a group of 14 persons constituting our Ultimate Controlling Shareholders as well as seven other individual shareholders, all being the remaining individual shareholders of Shengmu Holding following the pre-[REDACTED] investments, became the shareholders of World Shining by subscription of shares at US\$0.0002 each. As a result, our Ultimate Controlling Shareholders collectively owned 87.44% equity interests in World Shining.

The table below sets forth the individuals referred to as our Ultimate Controlling Shareholders through an act-in-concert arrangement. For further details of the act-in-concert arrangement, see “Relationship with Controlling Shareholders — Our Ultimate Controlling Shareholders Acting in Concert.”

Name	Shareholding percentage in World Shining (In percentages)
SHI Jianhong (史建宏).....	12.36%
WANG Fuzhu (王福柱).....	11.93%
YAO Tongshan (姚同山).....	11.28%
GUO Yunfeng (郭運鳳).....	7.56%
YANG Yaping (楊亞萍).....	7.09%
WU Jianye (武建艱).....	6.24%
GAO Lingfeng(高凌鳳).....	5.71%
WANG Zhenxi (王振喜).....	5.38%
YUN Jindong (云金東).....	4.10%
WANG Zhen (王鎮).....	4.10%
LU Shunyi (蘆順義).....	3.76%
YANG Yali (楊亞利).....	3.54%
CUI Ruicheng (崔瑞成).....	2.36%
ZHANG Junke (張俊科).....	2.01%
Total	<u>87.44%</u>

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The table below sets forth the individuals owning the remaining 12.56% equity interests in World Shining.

Name	Shareholding percentage in World Shining
	(In percentages)
DONG Runli (董潤利).....	2.88%
WANG Dongsheng (王東升).....	2.42%
HUANG Xiuying (黃秀英).....	1.86%
SUN Chuan (孫川).....	1.86%
WANG Caixia (王彩霞).....	1.76%
XIANG Yonghong (向永紅).....	1.66%
GUO Yongfeng (郭永豐).....	0.12%
Total	<u>12.56%</u>

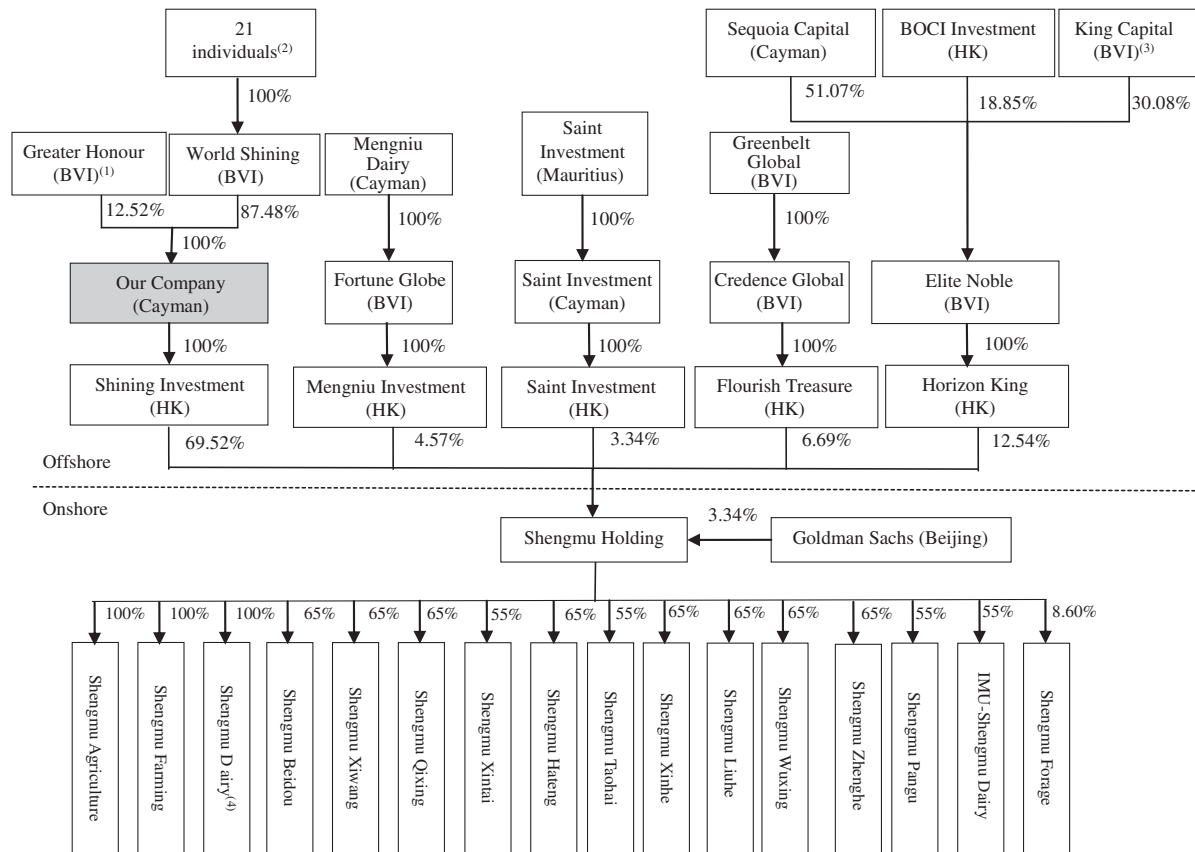
Greater Honour is wholly owned by Mr. JIANG Jinzhi (蔣錦志), who is also a remaining individual shareholder of Shengmu Holding following the pre-[REDACTED] investments.

Acquisition of Shengmu Holding

Following the pre-[REDACTED] investments, the 22 remaining individual shareholders in Shengmu Holding (including our Ultimate Controlling Shareholders) consolidated their interests into our Group by acquiring their onshore equity interests in Shengmu Holding through our Company. In connection with this restructuring step, World Shining and Greater Honour, the offshore holding companies of these individual shareholders, obtained two bridge loans from BOCI Leveraged and Structured Finance Limited and Wing Lung Bank Limited on February 26, 2014 and applied the loan proceeds to the pro-rata subscription for 86,608,170 and 12,391,830 [REDACTED] in our Company, respectively, which in turn channeled the funds into Shining Investment, our wholly-owned Hong Kong subsidiary. Shining Investment used the funds to purchase an aggregate of 69.52% equity interests in Shengmu Holding from the 22 individual shareholders pursuant to a share purchase agreement dated February 20, 2014. The purchase consideration totaled RMB775,472,580, which was determined based on arm’s length negotiations among the parties.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Upon the completion of this restructuring step, Shengmu Holding, together with its PRC subsidiaries, became part of the [REDACTED] group. Set forth below is the shareholding structure of our Group immediately after the acquisition of Shengmu Holding.



(1) Owned by Mr. JIANG Jinzhi (蔣錦志).

(2) Consisting of a group of 14 persons constituting our Ultimate Controlling Shareholders following the Reorganization (87.44%) and seven other individuals (12.56%).

(3) Owned by Mr. HAN Jingyuan (韓敬遠), an Independent Third Party.

(4) Shengmu Dairy owned 41.67% and 30% equity interests in Shanghai Saihan and Beijing Shengmu, respectively.

The entire amount of the bridge loan borrowed by Greater Honour and World Shining from BOCI Leveraged and Structured Finance Limited had been fully repaid before March 31, 2014, the date of our [REDACTED] application. As of the Latest Practicable Date, as a result of a series of fund transfers, an aggregate amount of US\$66.8 million remains payable by Greater Honour and World Shining to the Macau Branch of Bank of China Limited.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Restructuring of the Investment by Goldman Sachs (Beijing)

Goldman Sachs invested in us through two investment entities, Goldman Sachs (Beijing) and Saint Investment. Goldman Sachs (Beijing), a limited partnership formed in the PRC, was an onshore shareholder of Shengmu Holding following its investment. In anticipation of the [REDACTED], Goldman Sachs restructured this onshore investment through an offshore entity (i.e., Broad Street) such that it was translated into [REDACTED] in our Company. Immediately following this restructuring in March 2014, World Shining, Greater Honour and Broad Street owned 83.47%, 11.94% and 4.59% equity interests in our Company, respectively.

Share Swap between Our Company and Certain Pre-[REDACTED] Investors

In anticipation of the [REDACTED], the investments in Shengmu Holding made by Mengniu Investment, Saint Investment, Flourish Treasure and Horizon King needed to be translated into [REDACTED] in our Company. Accordingly, pursuant to a share exchange agreement dated March 26, 2014, our Company acquired the entire equity interests in each of Fortune Globe, Saint Investment (Cayman), Credence Global and Elite Noble from their respective shareholders in exchange for the [REDACTED] in our Company issued and allotted to each of those shareholders or their designees. As a result of this share swap, Greenbelt Global, Sequoia Capital, Start Great (a wholly-owned subsidiary and designee of Mengniu Dairy), King Capital, Saint Investment (Mauritius) and BOCIFP (an affiliate and designee of BOCI Investment) owned 6.69%, 6.40%, 4.57%, 3.77%, 3.34% and 2.36% equity interests in our Company, respectively.

Shareholders Agreement

Upon completion of the share swap, Saint Investment (Mauritius), Broad Street, Greenbelt Global, Sequoia Capital, BOCIFP, World Shining, our Company and our Ultimate Controlling Shareholders entered into a shareholders agreement on March 26, 2014. Pursuant to this shareholders agreement, each of Saint Investment (Mauritius) and Broad Street as a group, Greenbelt Global, Sequoia Capital and BOCIFP, or collectively, the Special Right Holders, was granted certain special shareholder rights (as applicable), which are briefly summarized below.

- *Director nomination.* Each of the Special Right Holders (except BOCIFP) has the right to nominate a director to the Board. BOCIFP has the right to appoint a non-voting observer to the Board. In addition, each of Saint Investment (Mauritius) and Broad Street as a group and Greenbelt Global has the right to nominate a director to the board of Shengmu Holding.
- *Representation right.* A quorum of the Board is not constituted unless each of the directors nominated by each of Saint Investment (Mauritius) and Broad Street as a group and Greenbelt Global is present. If the required quorum is not present at an adjourned meeting, the directors present at such adjourned meeting constitutes a quorum.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- *Veto right.* Each of Saint Investment (Mauritius) and Broad Street as a group and Greenbelt Global has a veto right over certain material corporate actions undertaken by our Company, including without limitation, any material change to the business of any member of our Group, change of the size of the Board, appointment and removal of independent auditors of our Company, and certain related party transaction in excess of RMB10 million.
- *Pre-emptive right.* A proposed issuance of new [REDACTED] is subject to a pre-emptive right exercisable by each of the Special Right Holders and World Shining.
- *Anti-dilution right.* A proposed issuance of new [REDACTED] (other than issuance of [REDACTED] pursuant to an employment incentive plan or the [REDACTED]) at a price below the per-share subscription price of the relevant pre-[REDACTED] investment in Shengmu Holding entitles each of the Special Right Holders to require our Company and/or our Ultimate Controlling Shareholders to take all necessary steps to either (i) issue or cause our Company to issue additional Share at a nominal price to them or (ii) compensate them in cash, on a several and joint basis, in order to make them whole.
- *Right of first refusal.* A proposed third-party transfer of [REDACTED] by a Shareholder is subject to the prior consent of, and a right of first refusal exercisable by, each of the Special Right Holders and World Shining.
- *Tag-along right.* A proposed transfer of [REDACTED] by World Shining is subject to a tag-along right exercisable by each of the Special Right Holders not exercising the right of first refusal.

This shareholders agreement, including any special shareholder rights provided thereunder, will terminate upon the completion of the [REDACTED]. Each of our pre-[REDACTED] investors and Greater Honour will hold less than 10% of the shareholding of our Company upon the completion of the [REDACTED] and therefore is not a connected person of our Company under the Listing Rules. All the [REDACTED] to be held by them, respectively, following the completion of the [REDACTED] will be counted as part of the [REDACTED] of our Company for the purpose of Rule 8.08 of the Listing Rules.

Furthermore, each of the pre-[REDACTED] investors and Greater Honour will provide a six-month [REDACTED] undertaking to our Company and the [REDACTED]. For details, see “[REDACTED] — [REDACTED] Arrangements and Expenses — Undertakings pursuant to the [REDACTED] — Undertakings by the Other Shareholders”.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Compliance with Interim Guidance

On the basis that each of the investments by the pre-[REDACTED] investors was completed more than 28 clear days before the date of the first submission of the first [REDACTED] in respect of the [REDACTED], the Joint Sponsors are not aware of any special circumstances or incidences that could lead to their belief that the pre-[REDACTED] investments did not comply with the Interim Guidance on Pre-[REDACTED] Investments announced by the [REDACTED] Committee on October 13, 2010 (and updated on January 16, 2012) or that the disclosure in relation to the pre-[REDACTED] investment does not comply with the disclosure requirements set out in the Guidance Letters GL 43-12 and GL 44-12 issued by the Stock Exchange on October 25, 2012 (and updated in July 2013 with respect to GL 43-12), to the extent applicable.

Capital Contributions to Dairy-farm Companies

As of the Latest Practicable Date, we had injected additional capital into our dairy-farm companies to support their growth. With respect to Shengmu Taohai and Shengmu Pangu, we contributed RMB2.2 million and RMB8.8 million, respectively, on a pro-rata basis with our business partners. With respect to Shengmu Xiwang, we contributed RMB4.9 million and our shareholding percentage increased from 52% to 65%. With respect to Shengmu Hateng, Shengmu Xinhe, Shengmu Liuhe, Shengmu Zhenghe, Shengmu Wuxing and Shengmu Beidou, we contributed RMB19.1 million, RMB17.9 million, RMB32.9 million and RMB8.0 million, RMB19.1 million and RMB27.0 million, respectively, and our shareholding percentage increased from 55% to 65%. The consideration for such capital contributions in each instance was based on arm’s length negotiations with our business partners.

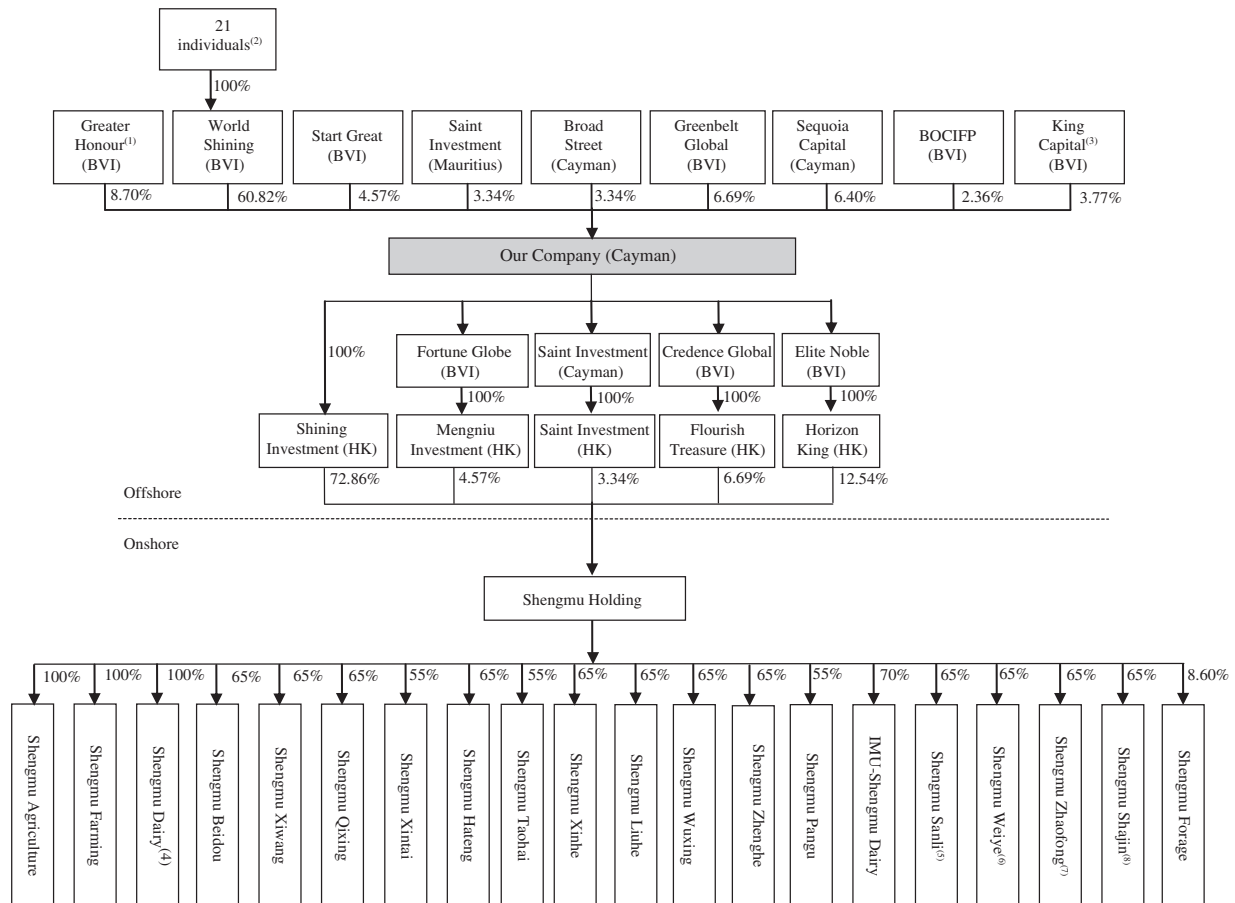
In addition to capital contributions, in January 2014, our business partner in Shengmu Wuxing, QIN Shuzhen (秦淑珍), sold the 35% equity interest (equivalent to a RMB24.5 million cash contribution) in Shengmu Wuxing to WANG Qiang (王强), and as a result, Shengmu Holding and WANG Qiang owned 65% and 35% equity interests in Shengmu Wuxing, respectively.

In March 2014, Shengmu Holding acquired a 15% equity interest in IMU-Shengmu Dairy from LI Guangpeng (李光鹏) for a consideration of RMB6.7 million based on arm’s length negotiations between the parties. As a result, Shengmu Holdings’ shareholding in IMU-Shengmu Dairy increased from 55% to 70%.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

OUR CORPORATE STRUCTURE

The following diagram illustrates our corporate and shareholding structure immediately prior to the [REDACTED].



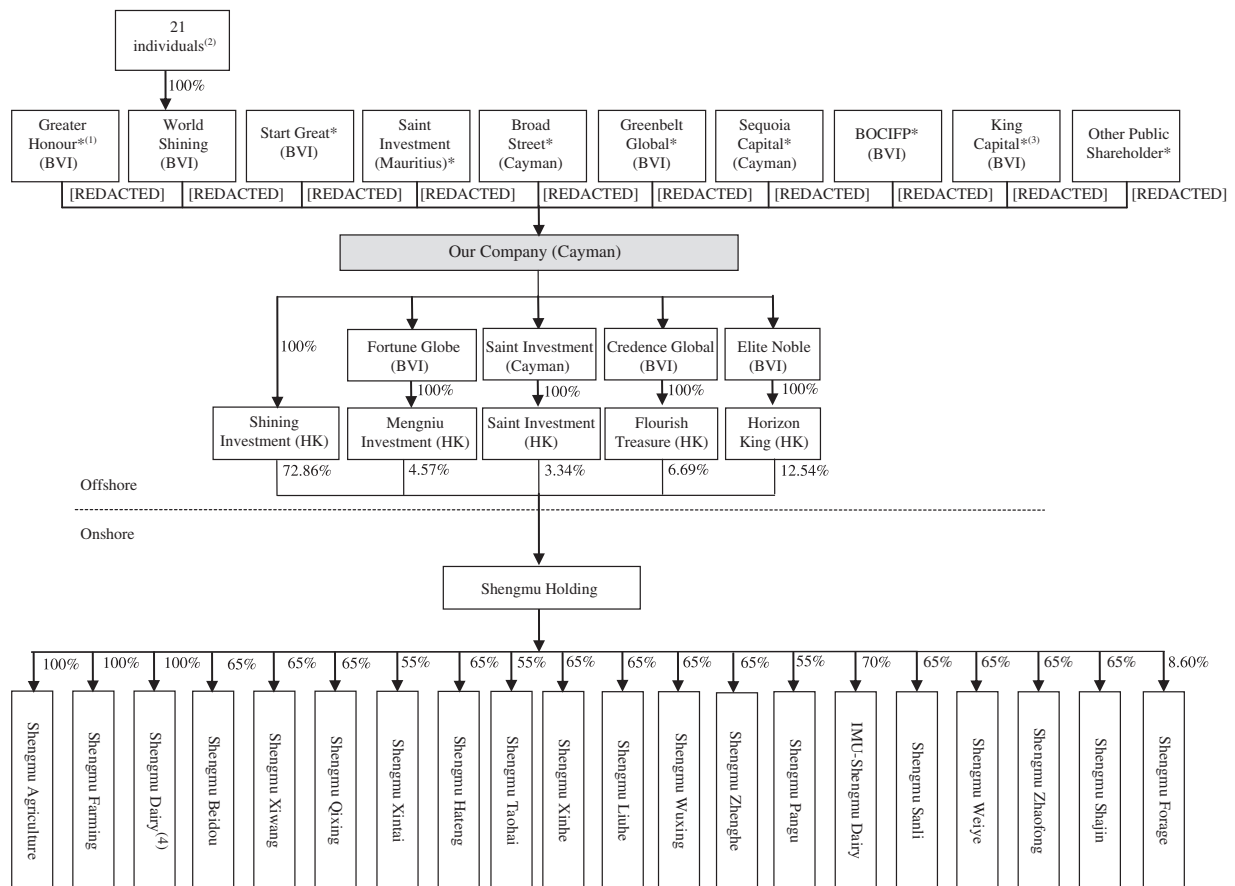
(1) - (3) See footnotes to chart in “— Reorganization — Establishment of Offshore [REDACTED] Structure — Acquisition of Shengmu Holding.”

- (4) Shengmu Dairy owns 41.67% and 30% equity interests in Shanghai Saihan and Beijing Shengmu, respectively. In April 2014, Shengmu Dairy acquired minority equity interests in two other distribution companies, namely, Anhui Meilichen (as to 40%) and Tianjin Mengmu (as to 30%), which are also principally engaged in the distribution of dairy products. These companies were established on March 12, 2012 and September 10, 2012, respectively, and Independent Third Parties own their remaining equity interests.
- (5) Bayannur Shengmu Sanli Farming Co., Ltd. (巴彥淖爾市聖牧三利牧業有限公司), or Shengmu Sanli, was established on April 2, 2014. As of the Latest Practicable Date, Shengmu Holding and REN Junming (任俊明) owned 65% and 35% equity interests in Shengmu Sanli, respectively. Shengmu Sanli is designed to principally engage in dairy farming operations, and had not commenced operations as of the Latest Practicable Date.
- (6) Bayannur Shengmu Weiye Farming Co., Ltd. (巴彥淖爾市聖牧偉業牧業有限公司), or Shengmu Weiye, was established on March 31, 2014. As of the Latest Practicable Date, Shengmu Holding and HOU Liubin (侯留斌) owned 65% and 35% equity interests in Shengmu Weiye, respectively. Shengmu Weiye is designed to principally engage in dairy farming operations, and had not commenced operations as of the Latest Practicable Date.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (7) Alxa Shengmu Zhaofeng Farming Co., Ltd. (阿拉善盟聖牧兆豐牧業有限公司), or Shengmu Zhaofeng, was established on May 5, 2014. As of the Latest Practicable Date, Shengmu Holding and GUO Yongfeng (郭永豐) owned 65% and 35% equity interests in Shengmu Zhaofeng, respectively. Shengmu Zhaofeng is designed to principally engage in dairy farming operations, and had not commenced operations as of the Latest Practicable Date.
- (8) Bayannur Shengmu Shajin Farming Co., Ltd. (巴彥淖爾市聖牧沙金牧業有限公司), or Shengmu Shajin, was established on May 26, 2014. As of the Latest Practicable Date, Shengmu Holding and HAO Kaiyun (郝凱雲) owned 65% and 35% equity interests in Shengmu Shajin, respectively. Shengmu Shajin is designed to principally engage in dairy farming operations, and had not commenced operations as of the Latest Practicable Date.

The following diagram illustrates our corporate and shareholding structure immediately following the completion of [REDACTED], assuming that none of the [REDACTED] and options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Share Option Scheme has been exercised.



(1) - (3) See footnotes to chart in “— Reorganization — Establishment of Offshore [REDACTED] Structure — Acquisition of Shengmu Holding.”

(4) Shengmu Dairy owns 41.67%, 30%, 40% and 30% equity interests in four distribution companies, namely, Shanghai Saihan, Beijing Shengmu, Anhui Meilichen and Tianjin Mengmu, respectively.

* The [REDACTED] held by these Shareholders are counted as part of the [REDACTED] of our Company for the purpose of Rule 8.08 of the Listing Rules.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

COMPLIANCE WITH LAWS

Circular 75

On October 21, 2005, SAFE issued Circular 75 which came into force on November 1, 2005, requiring PRC residents who establish or control offshore companies and inject assets or equity interests in their PRC entities into offshore companies, or offshore SPVs, for the purposes of overseas equity financing to register with competent local SAFE branch before establishing or controlling any company outside China. Under Circular 75, our Ultimate Controlling Shareholders and other individual shareholders, who are PRC domestic residents, are required to register with the local SAFE branch their ownership in us. Circular 75 also requires that any PRC resident that is the shareholder of an offshore SPV shall amend its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with any alteration of capital, transfer of shares, share exchange, merger, division, long-term investment with equity investment, debt investment, external guarantee and other material capital alteration. Our Ultimate Controlling Shareholders who are PRC residents completed all required filings (including amendments thereto) under Circular 75 on March 28, 2014.

M&A Regulation

Pursuant to Article 40 of the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Regulation, promulgated on August 8, 2006 by six PRC governmental agencies, effective on September 8, 2006 and amended by MOFCOM in June 2009, any offshore SPV established for capital financing purposes and controlled directly or indirectly by PRC persons, shall obtain MOFCOM approval prior to such offshore SPV acquiring any related entities or assets in the PRC, as well as CSRC approval prior to the [REDACTED] and trading of the securities of such offshore SPV on an overseas stock exchange. Shengmu Holding was restructured into a Sino-foreign joint-venture company in August 2011 with the investment from Mengniu Investment, a Hong Kong-incorporated company. Therefore, the acquisition by Shining Investment of Shengmu Holding was a transfer of equity in a foreign-invested enterprise rather than a domestic enterprise (內資企業) as defined in the M&A Regulation, and as such, the M&A Regulation is not applicable. Instead, the acquisition must comply with the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investor (《外商投資企業投資者股權變更的若干規定》).

Our PRC legal advisers have also confirmed that we have obtained all material approvals and permits required under PRC laws and regulations in connection with each step of the Reorganization and the [REDACTED].

ABOUT OUR PRE-[REDACTED] INVESTORS

Our institutional investors have brought management expertise and industry experience to our Group. Mengniu Group, on the other hand, is a large and reputable customer of our raw milk business, and its equity investment in us at our early development stage helped us finance our fast-growing business and enabled us to quickly expand into organic dairy farming operations.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Mengniu Group

Start Great is wholly owned by Mengniu Dairy, a leading PRC dairy product company, whose shares are listed and traded on the Hong Kong Stock Exchange (stock code: 2319). Mengniu Dairy is an Independent Third Party.

Goldman Sachs

Broad Street is an exempted limited partnership registered in the Cayman Islands. Its general partner is Broad Street (Cayman) GP Limited, a wholly-owned subsidiary of The Goldman Sachs Group, Inc., a company listed on the New York Stock Exchange (ticker symbol: GS). Its limited partner is Shanghai Broad Street Investment Center, whose limited partner is Broad Street (Beijing) 2011 Investment Center (Limited Partnership), an investment fund managed and controlled by affiliates of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc. is an Independent Third Party.

Saint Investment (Mauritius) is a GBL1 (Global Business License Category 1) entity registered in Mauritius. Saint Investment (Mauritius)’s capital derives from funds and monies managed and/or controlled by subsidiaries of The Goldman Sachs Group, Inc.

Baring

Greenbelt Global is held as to approximately 99.4% by The Baring Asia Private Equity Fund V, L.P., an Independent Third Party. Baring Private Equity Asia GP V, L.P., an Independent Third Party, is the general partner of The Baring Asia Private Equity Fund V, L.P. Jean Eric Salata, an Independent Third Party, is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Each of Baring Private Equity Asia GP V Limited and Jean Eric Salata is therefore deemed to be interested in the [REDACTED] held by Greenbelt Global. Jean Eric Salata disclaims beneficial ownership of such [REDACTED], except to the extent of his economic interest in such entities.

Sequoia

Sequoia Capital is wholly owned by Sequoia Capital China Growth 2010 Fund, L.P., Sequoia Capital China Growth 2010 Partners Fund, L.P. and Sequoia Capital China Growth 2010 Principals Fund, L.P., or collectively, SCC 2010 Growth Funds. The SCC 2010 Growth Funds’ general partner is SC China Growth 2010 Management, L.P., whose general partner is SC China Holding Limited, a company incorporated in the Cayman Islands. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Mr. SHEN Nanpeng (沈南鹏), an Independent Third Party. Mr. SHEN disclaims beneficial ownership of the [REDACTED] held by Sequoia Capital, except to the extent of his pecuniary interest therein.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

BOCI

BOCIFP is a company incorporated under the laws of BVI and an indirect wholly-owned subsidiary of Bank of China Limited, whose shares are listed and traded on the Hong Kong Stock Exchange (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988). It is principally engaged in investment activities. Bank of China Limited is an Independent Third Party.

King Capital

King Capital is wholly owned by Mr. HAN Jingyuan (韓敬遠), a private investor and an Independent Third Party.