
APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants’ Report prepared by [REDACTED], Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this [REDACTED], and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with “Financial Information” in this [REDACTED] and the Accountants’ Report set out in Appendix I to this [REDACTED].

A. [REDACTED]

The [REDACTED] of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on December 31, 2013. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of our Group.

| | Combined net tangible assets attributable to the owners of the Company as of December 31, 2013(1) | Estimated net [REDACTED] | [REDACTED] | [REDACTED] per Share(3) | [REDACTED] per Share(4) |
|---|--|-------------------------------------|-------------------|------------------------------------|------------------------------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB | HK\$ |
| Based on an [REDACTED] of HK\$[REDACTED] per Share | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on an [REDACTED] of HK\$[REDACTED] per Share | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

Notes:

- (1) The combined net tangible assets attributable to the owners of the Company as of December 31, 2013 are based on combined net assets of our Group attributable to the owners of the Company as of December 31, 2013 of approximately RMB1,494.2 million after the deduction of other intangible assets of RMB14.2 million as of December 31, 2013 as set forth in Appendix I to this [REDACTED].
- (2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] and the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED], after deduction of the [REDACTED] and related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the [REDACTED] or any option which has been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Share Option Scheme. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at the PBOC rate of HK\$1.00 to RMB0.79 prevailing on December 31, 2013.

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- (3) The [REDACTED] per Share is calculated based on [REDACTED] in issue immediately following the completion of the [REDACTED] without taking into account any [REDACTED] which may be issued upon exercise of the [REDACTED] or any option which has been granted under the Pre-[REDACTED] [REDACTED] Option Scheme or may be granted under the Share Option Scheme.

- (4) The [REDACTED] per Share is converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.79 prevailing on December 31, 2013.

- (5) The above calculation of [REDACTED] of our Group did not take into account the Group’s receipt of RMB683.3 million in the form of cash and cash equivalents injected through Pre-[REDACTED] investment in February 2014.

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B. INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE COMPILATION OF [REDACTED] FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Group’s unaudited [REDACTED] financial information for the purpose of incorporation in this [REDACTED].

To the Directors of China Shengmu Organic Milk Limited

We have completed our assurance engagement to report on the compilation of [REDACTED] financial information of China Shengmu Organic Milk Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The [REDACTED] financial information consists of the [REDACTED] combined net tangible assets as at December 31, 2013 and related notes as set out in Appendix II to the [REDACTED] issued by the Company (the “[REDACTED] Financial Information”). The applicable criteria on the basis of which the Directors have compiled the [REDACTED] Financial Information are described in Section A of Appendix II.

The [REDACTED] Financial Information has been compiled by the Directors to illustrate the impact of the [REDACTED] of shares of the Company on the Group’s financial position as at December 31, 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended December 31, 2013, on which an accountant’s report has been published.

Directors’ responsibility for the [REDACTED] Financial Information

The Directors are responsible for compiling the [REDACTED] Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the [REDACTED] Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the [REDACTED] Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of [REDACTED] Financial Information Included in a [REDACTED]* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the [REDACTED] Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the [REDACTED] Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the [REDACTED] Financial Information.

The purpose of [REDACTED] Financial Information included in the [REDACTED] is solely to illustrate the impact of the [REDACTED] of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the [REDACTED] Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the [REDACTED] Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related [REDACTED] adjustments give appropriate effect to those criteria; and
- The [REDACTED] Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the transaction in respect of which the [REDACTED] Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the [REDACTED] Financial Information.

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

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Opinion

In our opinion:

- (a) the [REDACTED] Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the [REDACTED] Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

June [REDACTED], 2014