IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

FSD NO: 0083 OF 2011

MAY 06 2011

IN THE MATTER OF: THE COMPANIES LAW (2010 REVISION) (AS AMENDED)

$5000

AND IN THE MATTER OF: CHINA MILK PRODUCTS GROUP LIMITED

12447

## PETITION

TO THE GRAND COURT OF THE CAYMAN ISLANDS

The humble petition of China Milk Products Group Limited, a company incorporated under the laws of the Cayman Islands with its registered office located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands shows that:

**Background**

1. The Company is an exempted company limited by shares, and was incorporated on 20 September 2005 in accordance with the Companies Law (as amended), with registration number 155106.

2. The Company's registered office is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands.

3. The authorised share capital of the Company is HK$500,000,000 divided into 1,000,000,000 shares of HK$0.5 each. The amount of the capital paid up is HK$369,300,000.

4. The Company was formed for the purposes of carrying on the business of investment holding, principally in its primary operating subsidiary Daqing Yinluo Dairy Co., Ltd ("**Yinluo**"), a company incorporated in the People's Republic of China (the "**PRC**"). Yinluo produces raw milk, pedigree bull semen and dairy cow embryos.



Winding up petition v 3

5. The Company's principal place of business is situated at North Band 104 Farm, Daqing High-Tech Development Zone, Daqing, in Heilongjiang Province in the People's Republic of China.

6. As at the date of the Company's last published annual report for the financial year ended 31 March 2009, the Company and its subsidiaries (together, the "**Group**") had a herd of cattle of 21,820 comprising Holstein breed cattle of Australian, Canadian and Chinese origin, with a total production capacity of up to 150,000 tonnes of milk products per year. The assets of the Company and the Group totalled RMB1,570,000,000 and RMB3,330,000,000 respectively; the liabilities of the Company and the Group totalled RMB1,110,000,000 and RMB1,140,000,000 respectively.

7. The Company was listed on the Main Board of the Singapore Stock Exchange ("**SGX**") on 13 March 2006 (Stock Code: 2539).

8. The company's principal assets are its shares in Yinluo and the Company's listed status. The Company's principal creditors are the holders of zero coupon convertible bonds issued by the Company on 5 January 2007, which were listed on the SGX on 8 January 2007 (the "**Bondholders**" and the "**Bonds**", respectively).

**The Bonds**

9. The Bonds are convertible into fully-paid ordinary shares in the Company of HK$0.5 each in the Company at an initial conversion price of S$2 per share. The Terms and Conditions of the Bonds are contained in Schedule 2 to a Subscription Agreement dated 7 December 2006 between the Company and Deutsche Bank AG, Singapore Branch.

10. Pursuant to Condition 8E of the Bonds, the Company granted to the Bondholders a put option exercisable on and from 5 January 2010 to require the Company to redeem some or all of their Bonds at 116.82 per cent of the principal amount of the Bonds (the "**Early Redemption Amount**").

11. On 31 March 2009, the Company offered to repurchase a portion of the Bonds in an amount up to an aggregate repurchase amount of US$40,000,000. The

Company repurchased Bonds having aggregate principal amounts of US$3,800,000, such that the Company's liability in respect of the principal amount of the Bonds was reduced from US$150,000,000 to US$146,200,000.

12. On 5 January 2010, the Company received valid early redemption requests from Bondholders in accordance with Condition 8E of the Bonds amounting to US$146,000,000 of the principal amount of the Bonds.

13. On 29 January 2010, the Company received a letter sent on behalf of BlackRock Global Allocation Team (in its capacity as manager of certain accounts and funds holding Bonds) ("**BlackRock**") and a number of other Bondholders, who together held 64 per cent of the outstanding Bonds, demanding immediate payment of the Early Redemption Amount plus default interest pursuant to Condition 7E of the Bonds.

14. On 12 February 2010, the Company announced to the SGX that it did not have sufficient funds outside the PRC with which to meet its obligations in respect of the early redemption of the Bonds and was accordingly in default of its obligations under the terms and conditions of the Bonds. Also on 12 February 2010, trading in the Company's shares on the SGX was suspended at the Company's request.

15. On 28 February 2010 and 29 March 2010, the Company received further correspondence sent on behalf of BlackRock and the other Bondholders who had signed the letter of 29 January 2010, repeating their demand for payment of the Early Redemption Amount.

16. In August 2010, members of the Company's board of directors met with representatives of certain Bondholders in Shanghai (the "**Autumn Meeting**"). During the Autumn Meeting the Bondholder representatives again demanded repayment in full of the Early Redemption Amount. On numerous occasions since the Autumn Meeting, members of the Company's board have spoken with representatives of the Bondholders in an attempt to resolve the matter of the Company's default on the outstanding Bonds.

17. On 21 March 2011 the Company received a further demand from the Bondholders for the repayment of the Early Redemption Amount. Representatives of the Company and of the Bondholders have spoken on numerous occasions throughout late March and April 2011 in an attempt to resolve this matter. On 22 April 2011, a majority of the Bondholders informed the Company that they supported a provisional liquidation of Company and the appointment of Mr Cosimo Borrelli and Mr Jason Kardachi of Borrelli Walsh and Mr Kenneth Krys of Krys Global as provisional liquidators of the Company with a view to the implementation of a compromise or arrangement between the Company and its creditors.

**The Company's financial position**

18. The financial condition of the Company has deteriorated significantly in the past 18 to 24 months. The cash balance of the Group dropped from RMB1,600,000,000 as at 31 March 2009 to RMB752,000,000 as at 31 December 2009. The Group's inventories increased from RMB33,000,000 to RMB270,000,000 during the same nine-month period. The Group's revenue for the three months ended 31 December 2009 decreased by approximately RMB141,800,000 or 80.1 per cent as compared with the three months ended 31 December 2008, and the Group's operating profit dropped from RMB150,200,000 for the three months ended 31 December 2008 to a loss of RMB35,100,000 for the 3 months ended 31 December 2009. The decline in the Group's profit from operations in the three months ended 31 December 2009 compared with the same period last year was mainly attributable to the lowering of selling prices of the Group's products and to rising feed costs.

**The Company's Debts**

19. The principal liabilities of the Company (the "**Debts**") are:

    (a) its obligation to pay the Early Redemption Amount of US$170,790,840 to the Bondholders (being 116.82 per cent of the principal amount outstanding under the Bonds) in accordance with the terms of the Bonds; and

(b) its obligation to pay trade creditors, other accounts payable and accrued liabilities of approximately US$3,300,000.

20. The Company does not dispute that it is liable to pay the Debts. The Debts remain unpaid to date. None of the Company's creditors holds security over any shares in or assets of the Company in respect of the Debts.

21. To conclude, the Company is unable to pay its debts as they fall due.

**YOUR PETITIONER THEREFORE HUMBLY PRAYS:**

1. That the Company be wound up by the Court subject to the provisions of Part V of the Companies Law (as amended).

2. That Mr Cosimo Borrelli of Borrelli Walsh Limited of Level 17, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, Mr Kenneth M. Krys of Krys Global of Governors Square, Building 6, 2nd Floor, 23 Lime Tree Bay Avenue, P.O. Box 31237, KY1-1205, George Town, Grand Cayman, Cayman Islands, and Mr Jason Kardachi of Borrelli Walsh Pte Limited, of 14-04 City House, 36 Robinson Road, Singapore, be appointed joint and several official liquidators of the Company ("**Joint Official Liquidators**"), and be authorised to exercise all the powers set out in section 110(2) and Parts I and II of the Third Schedule to the Companies Law (2010 Revision) without further sanction or intervention of this Honourable Court.

3. That the Joint Official Liquidators be authorised to do any act or thing considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding up of its affairs.

4. That the Joint Official Liquidators do file with the Court a report in writing of the position of and the progress made with the winding up of the Company and with the realisation of the assets thereof and as to any other matters connected to the winding up of the Company, in accordance with Order 10 of the Companies Winding Up Rules 2008, or at such further and other times as the Court may direct.

5. That the Joint Official Liquidators be at liberty to employ attorneys, counsel and professional advisors whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the performance of their duties and on such terms as they may think fit.

6. That the Joint Official Liquidators and their staff be remunerated for their professional services and time in accordance with Part III of the Insolvency Practitioners Regulations 2008.

7. That the Joint Official Liquidators have liberty to apply for such further directions with respect to the winding up of the Company and its affairs and the conduct of the liquidation as they shall consider necessary from time to time.

8. The costs of and incidental to this Petition be paid forthwith from the assets of the Company.

9. Such further or other relief as this Honourable Court deems appropriate.

AND your Petitioner will ever pray etc.

DATED the 6th day of May 2011.

Walkers

**WALKERS**
Attorneys at Law for the Petitioner

**NOTE:** This petition is intended to be served on DB Trustees (Hong Kong) Limited for and on behalf of the holders of zero coupon convertible bonds in an aggregate principal amount of US$150,000,000 issued by the Company.

This petition is presented by Walkers, Attorneys at Law, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9001, for the Petitioner whose address for service is care of its said Attorneys at Law.

## NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman on                                        at 10.00 am.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, Telephone 345 949 4296

This Petition is presented by Walkers, Attorneys at Law, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9001, for the Petitioner whose address for service is care of their said Attorneys at Law.