



**CHINA DAIRY GROUP LTD**  
**Registration No. 199703080Z**

**RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2014**

**PART1- INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3),  
 HALF AND FULL YEAR RESULTS**

**1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediate preceding financial year**

**1(a)(i) GROUP INCOME STATEMENT**

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	439,959	469,873	-6.4%	929,944	960,371	-3.2%
Cost of Sales	(306,635)	(336,045)	-8.8%	(645,174)	(673,316)	-4.2%
<b>Gross Profit</b>	<b>133,324</b>	<b>133,828</b>	<b>-0.4%</b>	<b>284,770</b>	<b>287,055</b>	<b>-0.8%</b>
<b>Other Items of Income</b>						
Interest Income	96	148	-35.1%	495	449	10.2%
Other Credit	238	1,830	-87.0%	3,131	2,616	19.7%
<b>Other Items of Expenses</b>						
Marketing and Distribution Costs	(104,122)	(106,420)	-2.2%	(219,531)	(219,770)	-0.1%
Administrative Expenses	(23,028)	(19,220)	19.8%	(41,979)	(43,142)	-2.7%
Finance Costs	(2,402)	(2,968)	-19.1%	(4,461)	(5,888)	-24.2%
Other Charges	(1,685)	(1,873)	-10.0%	(6,399)	(2,169)	195.0%
Share of Profit/(Loss) from Associate	883	(114)	NM	765	(523)	NM
<b>Profit Before Tax</b>	<b>3,304</b>	<b>5,211</b>	<b>-36.6%</b>	<b>16,791</b>	<b>18,628</b>	<b>-9.9%</b>
Income Tax Expenses	(1,049)	(883)	18.8%	(2,407)	(883)	172.6%
<b>PROFIT FOR THE PERIOD</b>	<b>2,255</b>	<b>4,328</b>	<b>-47.9%</b>	<b>14,384</b>	<b>17,745</b>	<b>-18.9%</b>
Profit / (Loss) Attributable to:						
Owners of the Parent	2,329	5,792	-59.8%	14,553	19,145	-24.0%
Non-Controlling Interests	(74)	(1,464)	-94.9%	(169)	(1,400)	-87.9%
	<b>2,255</b>	<b>4,328</b>	<b>-47.9%</b>	<b>14,384</b>	<b>17,745</b>	<b>-18.9%</b>
Earnings Per Share (in currency units):						
Basic and Diluted (cents)	0.53	1.32	-59.8%	3.31	4.35	-24.0%

NM-Not meaningful

**1(a)(ii) BREAKDOWN AND EXPLANATORY NOTES TO GROUP INCOME STATEMENT****(A) Revenue**

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Sale of Finished Goods	433,882	462,870	-6.3%	907,522	941,776	-3.6%
Sale of Materials	6,077	7,003	-13.2%	22,422	18,595	20.6%
	<u>439,959</u>	<u>469,873</u>	<u>-6.4%</u>	<u>929,944</u>	<u>960,371</u>	<u>-3.2%</u>

**(B) Other Credits**

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Gain from Disposal of Investment in Subsidiary	-	-	-	1,358	-	NM
Government Grant	-	-	-	1,292	-	NM
Other Income	225	445	-49.4%	468	635	-26.3%
Foreign Exchange Adjustments Gain	-	975	NM	-	1,584	NM
Rental Income	-	375	NM	-	390	NM
Gain on Disposal of PPE and Land Use Right	-	35	NM	-	7	NM
Reversal of Allowance for Other receivable	13	-	NM	13	-	NM
	<u>238</u>	<u>1,830</u>	<u>-87.0%</u>	<u>3,131</u>	<u>2,616</u>	<u>19.7%</u>

**(C) Other Charges**

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Inventories Written Off	469	1,238	-62.1%	3,714	1,238	200.0%
Foreign Exchange Adjustments Loss	366	-	NM	1,464	-	NM
Depreciation and Direct Operating Expenses of Investment Property	315	280	12.5%	578	543	6.4%
Loss on Disposal of Plant and Equipment	275	-	NM	380	-	NM
Other Cost	260	355	-26.8%	263	388	-32.2%
	<u>1,685</u>	<u>1,873</u>	<u>-10.0%</u>	<u>6,399</u>	<u>2,169</u>	<u>195.0%</u>

NM-Not meaningful

### (D) Finance Costs

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest Expense	<u>2,402</u>	<u>2,968</u>	-19.1%	<u>4,461</u>	<u>5,888</u>	-24.2%

### (E) Depreciation and Amortisation

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of Investment Property and PPE	10,289	10,838	-5.1%	20,414	21,483	-5.0%
Amortisation of Other Assets, Non current	<u>350</u>	<u>362</u>	-3.3%	<u>700</u>	<u>724</u>	-3.3%
	<u>10,639</u>	<u>11,200</u>	-5.0%	<u>21,114</u>	<u>22,207</u>	-4.9%

### (F) Income Tax

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Deferred Tax Expenses	-	634	NM	-	634	NM
Current Tax Expense	<u>1,049</u>	<u>249</u>	321.3%	<u>2,407</u>	<u>249</u>	866.7%
	<u>1,049</u>	<u>883</u>	NM	<u>2,407</u>	<u>883</u>	NM

NM-Not meaningful

PPE-property, plant and equipment



**1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.**

**STATEMENTS OF FINANCIAL POSITION**

	Group		Company		Group	Company
	As at 30/06/2014	As at 31/12/2013	As at 30/06/2014	As at 31/12/2013	Change	Change
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, Plant and Equipment	343,651	334,301	3	5	2.8%	-22.0%
Investment Property	3,436	3,614	-	-	-4.9%	-
Investments in Subsidiaries	-	-	405,676	389,899	-	3.0%
Investment in Associate	23,998	23,233	-	-	3.3%	-
Deferred Tax Assets	14,247	14,247	-	-	0.0%	-
Other Assets, Non-Current	45,075	45,775	-	-	-1.5%	-
<b>Total Non-Current Assets</b>	<b>430,407</b>	<b>421,170</b>	<b>405,679</b>	<b>389,904</b>	<b>2.2%</b>	<b>3.0%</b>
<b>Current Assets</b>						
Inventories	214,815	194,408	-	-	10.5%	-
Trade and Other Receivables, Current	148,072	122,789	15,233	15,438	20.6%	3.1%
Other Financial Assets, Current	3,000	3,000	-	-	0.0%	-
Other Assets, Current	80,567	62,624	37	51	28.7%	76.5%
Cash and Cash Equivalents	124,839	93,343	3,367	4,543	33.7%	-18.3%
<b>Total Current Assets</b>	<b>571,293</b>	<b>476,164</b>	<b>18,637</b>	<b>20,032</b>	<b>20.0%</b>	<b>-1.6%</b>
<b>Total Assets</b>	<b>1,001,700</b>	<b>897,334</b>	<b>424,316</b>	<b>409,935</b>	<b>11.6%</b>	<b>2.8%</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to owners of the parent</b>						
Share Capital	401,392	401,392	401,392	401,392	0.0%	0.0%
Retained Earnings/(Accumulated Losses)	(106,537)	(121,090)	4,064	5,966	-12.0%	-14.2%
Other Reserves	46,002	43,416	16,409	(45)	6.0%	NM
<b>Equity, Attributable to Equity Holders of the Parent</b>	<b>340,857</b>	<b>323,718</b>	<b>421,865</b>	<b>407,313</b>	<b>5.3%</b>	<b>2.8%</b>
Non-Controlling Interests	(602)	(433)	-	-	39.0%	-
<b>Total Equity</b>	<b>340,255</b>	<b>323,285</b>	<b>421,865</b>	<b>407,313</b>	<b>5.2%</b>	<b>2.8%</b>
<b>Non-Current Liabilities</b>						
Finance Lease, Non-Current	6,665	8,234	-	-	-19.1%	-
<b>Total Non-Current Liabilities</b>	<b>6,665</b>	<b>8,234</b>	<b>-</b>	<b>-</b>	<b>-19.1%</b>	<b>-</b>
<b>Current Liabilities</b>						
Trade and Other Payables, Current	489,412	421,759	2,451	2,621	16.0%	0.6%
Finance Lease, Current	1,864	1,800	-	-	3.6%	-
Other Financial Liabilities, Current	150,000	130,400	-	-	15.0%	-
Income Tax Payable, Current	1,008	-	-	-	NM	-
Other Liabilities, Current	12,496	11,856	-	-	5.4%	-
<b>Total Current Liabilities</b>	<b>654,780</b>	<b>565,815</b>	<b>2,451</b>	<b>2,621</b>	<b>15.7%</b>	<b>0.6%</b>
<b>Total Liabilities</b>	<b>661,445</b>	<b>574,049</b>	<b>2,451</b>	<b>2,621</b>	<b>15.2%</b>	<b>0.6%</b>
<b>Total Equity and Liabilities</b>	<b>1,001,700</b>	<b>897,334</b>	<b>424,316</b>	<b>409,935</b>	<b>11.6%</b>	<b>2.8%</b>
<b>Detail of Other Components of Equity : (for reference only)</b>						
Statutory Reserve	26,833	26,833				
Capital Reserve	19,689	19,689				
Translation Reserve	(520)	(3,106)				
	<b>46,002</b>	<b>43,416</b>				

NM-Not meaningful

**1(b)(ii) Aggregate amount of borrowings and debts securities for the Group.**

Amount repayable in one year or less, or on demand

	As at 30/06/2014		As at 31/12/2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	150,000	-	130,400	-
Financial Lease, Current	1,864	-	1,800	-

Amount repayable after one year,

	As at 30/06/2014		As at 31/12/2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Lease, Non-Current	6,665	-	8,234	-

**Details of any collateral**

As at 30 June 2014, the above bank borrowings of RMB 150 million, financial lease current of 1.86 million and financial lease non-current of 6.67 million were secured by pledges on the group's PPE and land use rights, cash in bank, trade receivables and corporate guarantees by non-controlling shareholder of a subsidiary.

**1(b)(iii) STATEMENT OF COMPREHENSIVE INCOME**

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	Change	6 months to 30/06/2014	6 months to 30/06/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Profit for the Period</b>	2,255	4,328	-47.9%	14,384	17,745	-18.9%
<b>Other Comprehensive Income:</b>						
<b>Items That May Be Reclassified Subsequently to Profit or Loss</b>						
Exchange Differences on Translating Foreign Operations	385	(1,127)	NM	2,586	(1,853)	NM
<b>Other Comprehensive Income for the Period, Net of Tax</b>	<b>385</b>	<b>(1,127)</b>	<b>NM</b>	<b>2,586</b>	<b>(1,853)</b>	<b>NM</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,640</b>	<b>3,201</b>	<b>-17.5%</b>	<b>16,970</b>	<b>15,892</b>	<b>6.8%</b>
Total Comprehensive Income Attributable to:						
Owners of the Parent	2,714	4,665	-41.8%	17,139	17,292	-0.9%
Non-Controlling Interests	(74)	(1,464)	-94.9%	(169)	(1,400)	-87.9%
	<b>2,640</b>	<b>3,201</b>	<b>-17.5%</b>	<b>16,970</b>	<b>15,892</b>	<b>6.8%</b>

NM-Not meaningful



**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**GROUP STATEMENT OF CASH FLOWS**

	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	6 months to 30/06/2014	6 months to 30/06/2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Profit Before Tax	3,304	5,211	16,791	18,628
Adjustment for:				
Interest Income	(26)	(148)	(425)	(449)
Interest Expense	2,402	2,968	4,461	5,888
Share of Loss/(Gain) from Associate	(883)	114	(765)	523
Depreciation of Investment Property, Leasehold property, Plant and Equipment	10,289	10,838	20,414	21,483
Amortisation of Other Assets, Non Current	350	362	700	724
Loss/ (Gain) on Disposal of Plant and Equipment	275	(35)	380	(7)
Foreign Exchange Adjustment Gain	366	(975)	1,464	(1,584)
Gain on Disposal of investment in subsidiary	-	-	(1,358)	-
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	(30)	101	(102)	147
<b>Operating Cash Flows Before Changes in Working Capital</b>	<b>16,047</b>	<b>18,436</b>	<b>41,560</b>	<b>45,353</b>
Inventories	(19,360)	(12,274)	(20,407)	19,002
Trade and Other Receivables, Current	6,476	(14,478)	(26,524)	(46,363)
Other Assets, Current	(27,074)	12,011	(17,943)	4,330
Trade and Other Payables, Current	12,017	(13,021)	70,441	9,180
Other Liabilities, Current	4,549	(2,013)	640	(6,991)
Net Cash Flows From Operations Before Interest and Tax	(7,345)	(11,339)	47,767	24,511
Income Tax Paid	(563)	(250)	(563)	(250)
<b>Net Cash Flows From/(Used In) Operating Activities</b>	<b>(7,908)</b>	<b>(11,589)</b>	<b>47,204</b>	<b>24,261</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Disposal of PPE and Land Use Right	36	71	58	71
Purchase of PPE and Land Use Right	(19,381)	(7,235)	(30,024)	(11,559)
Interest Received	26	148	425	449
<b>Net Cash Flows Used In Investing Activities</b>	<b>(19,319)</b>	<b>(7,016)</b>	<b>(29,541)</b>	<b>(11,039)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>				
Decrease in Short-Term Borrowing	19,600	(27,700)	19,600	(27,900)
Decrease in Finance Lease, Non-current	(770)	(3,320)	(1,505)	(3,320)
Cash Restricted in Use Over 3 Months	(7,530)	5,010	(8,990)	15,040
Interest Paid	(2,402)	(2,968)	(4,461)	(5,888)
<b>Net Cash Flows From/(Used in) Financing Activities</b>	<b>8,898</b>	<b>(28,978)</b>	<b>4,644</b>	<b>(22,068)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(18,329)</b>	<b>(47,583)</b>	<b>22,307</b>	<b>(8,846)</b>
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	129,659	159,699	88,873	121,125
Effects of Foreign Exchange Rate Adjustments	49	(253)	199	(416)
<b>Cash and Cash Equivalents, Cash Flow Statement, Ending Balance</b>	<b>111,379</b>	<b>111,863</b>	<b>111,379</b>	<b>111,863</b>
Restricted	13,460	2,310	13,460	2,310
Non-restricted	111,379	111,863	111,379	111,863

PPE-property, plant and equipment

- 1(d)(i) A statement (for the issuer and group) showing either**
- (i) all changes in equity or**
  - (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

## STATEMENT OF CHANGES IN EQUITY

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2nd Quarter ended 30 June 2014</b>						
Opening Balance at 1 April 2014	337,615	338,143	401,392	(108,866)	45,617	(528)
Movement in Equity:						
Total Comprehensive Income for the Period	2,640	2,714	-	2,329	385	(74)
Closing Balance at 30 June 2014	<u>340,255</u>	<u>340,857</u>	<u>401,392</u>	<u>(106,537)</u>	<u>46,002</u>	<u>(602)</u>

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2nd Quarter ended 30 June 2013</b>						
Opening Balance at 1 April 2013	327,384	324,968	401,392	(124,672)	48,248	2,416
Movement in Equity:						
Total Comprehensive Income for the Period	3,201	4,665	-	5,792	(1,127)	(1,464)
Closing Balance at 30 June 2013	<u>331,991</u>	<u>329,633</u>	<u>401,392</u>	<u>(118,880)</u>	<u>47,121</u>	<u>2,358</u>

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
<b>2nd Quarter ended 30 June 2014</b>				
Opening Balance at 1 April 2014	418,871	401,392	5,118	12,361
Movement in Equity:				
Total Comprehensive Income for the Period	2,994	-	(1,054)	4,048
Closing Balance at 30 June 2014	<u>421,865</u>	<u>401,392</u>	<u>4,064</u>	<u>16,409</u>

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
<b>2nd Quarter ended 30 June 2013</b>				
Opening Balance at 1 April 2013	427,876	401,392	8,113	18,371
Movement in Equity:				
Total Comprehensive Income for the Period	(13,464)	-	(958)	(12,506)
Closing Balance at 30 June 2013	<u>414,412</u>	<u>401,392</u>	<u>7,155</u>	<u>5,865</u>

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>6 Months ended 30 June 2014</b>						
Opening Balance at 1 January 2014	323,285	323,718	401,392	(121,090)	43,416	(433)
<b>Movement in Equity:</b>						
Total Comprehensive Income for the Period	16,970	17,139	-	14,553	2,586	(169)
Dividends Adjustment	-	-	-	-	-	-
<b>Closing Balance at 30 June 2014</b>	<b>340,255</b>	<b>340,857</b>	<b>401,392</b>	<b>(106,537)</b>	<b>46,002</b>	<b>(602)</b>

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>6 Months ended 30 June 2013</b>						
Opening Balance at 1 January 2013	314,693	312,341	401,392	(138,025)	48,974	2,352
<b>Movement in Equity:</b>						
Total Comprehensive Income for the Period	15,892	17,292	-	19,145	(1,853)	(1,400)
Dividends Adjustment	1,406	-	-	-	-	1,406
<b>Closing Balance at 30 June 2013</b>	<b>331,991</b>	<b>329,633</b>	<b>401,392</b>	<b>(118,880)</b>	<b>47,121</b>	<b>2,358</b>

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
<b>6 Months ended 30 June 2014</b>				
Opening Balance at 1 January 2014	407,313	401,392	5,966	(45)
<b>Movement in Equity:</b>				
Total Comprehensive Income for the Period	14,552	-	(1,902)	16,454
<b>Closing Balance at 30 June 2014</b>	<b>421,865</b>	<b>401,392</b>	<b>4,064</b>	<b>16,409</b>

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
<b>6 Months ended 30 June 2013</b>				
Opening Balance at 1 January 2013	436,772	401,392	8,938	26,442
<b>Movement in Equity:</b>				
Total Comprehensive Income for the Period	(22,360)	-	(1,783)	(20,577)
<b>Closing Balance at 30 June 2013</b>	<b>414,412</b>	<b>401,392</b>	<b>7,155</b>	<b>5,865</b>



**1(d)(ii) SHARE CAPITAL**

Details of any changes in company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the Company's share capital for the year ended 30 June 2014.

The Company did not have any outstanding convertibles and treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

**1(d)(iii) To show the total number of issued shares (excluding treasury shares) as at the end of the current financial period and as at the end of the immediately proceeding year.**

	<u>As at 30/06/2014</u>	<u>As at 31/12/2013</u>
Total Number of Issued Shares	439,627,300	439,627,300
Less: Treasury Shares	<u>-</u>	<u>-</u>
Total Number of Issued Shares Excluding Treasury Shares	<u><u>439,627,300</u></u>	<u><u>439,627,300</u></u>

**1(d)(iv) A statement showing all sales, transfers disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited, or reviewed in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.**

The figures have not been audited or reviewed by our auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements.**

The above financial information has been prepared using the same accounting policies and methods of computation as presented in the financial statements for the year ended 31 December 2013, except for the new and revised Financial Reporting Standards (FRS) adopted which came into effect for the accounting periods beginning on or after 1 January 2014. The adoption of the new FRS has no material impact on the financial statements of the Group.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons form and the effect of, the change.**

Please refer to note 4 above.

**6. Earning per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

- (a) based on the weighted average number of ordinary share on issue and  
(b) on a fully diluted basis (detailing any adjustments made to the earnings)

	Group			
	2nd Quarter to 30/06/2014	2nd Quarter to 30/06/2013	6 months to 30/06/2014	6 months to 30/06/2013
<b>Earning/(Losses) Per Share Based on Group's Net Profit Attributable to Shareholders:</b>				
(i) Based on the Weighted Average Number of Ordinary Shares on Issue (RMBcents)	<u>0.53</u>	<u>1.32</u>	<u>3.31</u>	<u>4.35</u>
(ii) Based on Fully Diluted Basis (RMBcents)	<u>0.53</u>	<u>1.32</u>	<u>3.31</u>	<u>4.35</u>
Number of Existing Issued Ordinary Shares (weighted average)	<u>439,627,300</u>	<u>439,627,300</u>	<u>439,627,300</u>	<u>439,627,300</u>
Number of Existing Issued Ordinary Shares (fully diluted)	<u>439,627,300</u>	<u>439,627,300</u>	<u>439,627,300</u>	<u>439,627,300</u>

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

- (a) current period reported on; and  
(b) immediately preceding financial year.

	Group		Company	
	<u>As at 30/06/2014</u>	<u>As at 31/12/2013</u>	<u>As at 30/06/2014</u>	<u>As at 31/12/2013</u>
Net Asset Value Per Share (RMBcents)	<u>77.53</u>	<u>73.63</u>	<u>95.96</u>	<u>92.65</u>
Number of Existing Issued Ordinary Shares (period end)	<u>439,627,300</u>	<u>439,627,300</u>	<u>439,627,300</u>	<u>439,627,300</u>

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

## **PERFORMANCE REVIEW**

### **(a) GROUP INCOME STATEMENT**

#### **Revenue**

The Group's revenues decreased by 6.4% from RMB 469.9 million for the 2nd quarter ended 30 June 2013 ("Q2 2013") to RMB 440 million for the 2nd quarter ended 30 June 2014 ("Q2 2014"). Sales of finished goods for Q2 2014 were RMB 433.9 million, posting a decrease of RMB 29 million or 6.3% over the corresponding period last year. Sales of materials for Q2 2014 were RMB 6.1 million, decreased by RMB 0.9 million from Q2 2013.

The sales of liquid milk posted a decrease of 7.2 million or 2% from RMB 353.4 million for Q2 2013 to RMB 346.2 million for Q2 2014 due to change in products mix and competition. The sales of milk powder decreased by 19.9% from RMB 109.5 million for Q2 2013 to RMB 87.7 million for Q2 2014 due to decrease in average sell price in some provinces and competition.

#### **Gross Profit**

Gross profit of the Group decreased by 0.4%, or RMB 0.5 million from RMB 133.8 million for Q2 2013 to RMB 133.3 million for Q2 2014. Gross profit margin in Q2 2014 increased by 1.8% compared to Q2 2013.

The gross profit margin of liquid milk segment increased by 4.5 percentage point from 23.3% for Q2 2013 to 27.7% for Q2 2014 due to higher average selling prices. However, the milk powder segment decreased by 1.4 percentage point from 43.3% for Q2 2013 to 41.9% for Q2 2014 due to increase in unit cost.

#### **Other Credits**

Other credits decreased by 87% mainly because of absence of rental income and foreign exchange adjustments gain.

#### **Marketing and Distribution Costs**

Marketing and distribution costs decreased by 2.2% in Q2 2014 compared to the same period last year.

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### **Administrative Expenses**

Administrative expenses increased by 19.8% in Q2 2014 compared to the same period last year. The increases were resulted primarily from an increase in employee benefit expenses.

### **Finance Costs**

Finance costs decreased by 19.1% in Q2 2014 compared to the same period last year. This was mainly due to decrease in interest expenses resulted from decrease in short-term borrowing compared with the same period in 2013.

### **Other Charges**

Other charges decreased from Q2 2013 to Q2 2014 due to decrease in inventories written off and other cost, which partially offset by increase in foreign exchange adjustments loss, depreciation and direct operating expenses of investment property and loss on disposal of plant and equipment.

### **Share of Profit/Loss from Associate**

The share of profit from an associate was a result of profit incurred by Shaanxi Aomeihui Dairy Technology Co., Ltd (陕西澳美慧乳业科技有限公司(“Aomeihui”)) during the Q2 2014.

### **Profit/Loss Before Tax**

As a result of the above, profit before tax was RMB 3.3 million in Q2 2014, as compared to profit before tax RMB 5.2 million in Q2 2013.

### **Profit/Loss , Net of Tax**

Profit after income tax was RMB 2.3 million for Q2 2014, as compared to profit after tax RMB 4.3 million for Q2 2013.

### **(b) STATEMENTS OF FINANCIAL POSITION**

The increase in inventories was 10.5%, or RMB 20.4 million, mainly due to more milk powers were produced. In mid May 2014 the milk powder plant was under upgrading and the production was temporarily suspended for 1 month. The excessive products produced were necessary to make up for the supply shortage resulted from upgrading of the plant.

Trade and other receivables increased by 20.6% or RMB 25.3 million, due to changes in customer mix.

Other assets-current increased by 28.7%, or RMB 17.9 million as prepayments to suppliers increased.

Finance lease non-current liabilities decreased by 19.1% or RMB 1.57 million mainly due to payment of finance lease liabilities in current period.

Trade and other payable increased by 16.0% or RMB 67.7 million due to increase in credit term enjoyed for purchase.

Other financial liabilities-current increased by 15% or RMB 19.6 million as bank loans were increased.

Negative working capital is mainly due to the presence of other financial liabilities which were short term in nature. However, these are revolving financing facilities which can be rolled-forward as and when due.

### **(c) GROUP STATEMENT OF CASH FLOWS**

Net cash used in operating activities was RMB 7.9 million for Q2 2014 mainly due to increase in working capital employed.

Net cash used in investing activities was RMB 19.3 million for Q2 2014 mainly because of addition in PPE.

Net cash from financing activities was RMB 8.9 million for Q2 2014 mainly due to increase in short-term borrowing.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Group's performance for 6 months ended 30 June 2014 is consistent with its prospect statement as announced on 14 May 2014.

### **10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group anticipates that the dairy industry environment will remain challenging and competition will still be intense. However, the prices of key raw materials have shown signs of stabilization. It will continue retaining its liquid milk leading position in its home market of Shaanxi Province through stringent quality management, increasing sales contribution from higher end products and effective sales and marketing programs.

Aiming at long term competitiveness, the Group will continue to invest in product quality, product innovation, branding and its distribution network.

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**11. Dividend****(a) Current Financial Period Reported On Any dividend declared for the current financial period reported on?**

No dividend has been declared for the current financial period.

**(b) Corresponding Period of the Immediately Preceding Financial Year****Any dividend declared for the corresponding period of the immediately preceding financial year?**

Not Applicable.

**(c) Date payable**

Not Applicable.

**(d) Books closure date**

Not Applicable.

**12. If no dividend has been declared / recommended, a statement to that effect.**

Not Applicable.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.,**

Not Applicable.

**14. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 30 June 2014 to be false or misleading.

BY ORDER OF THE BOARD

Liu Huaguo  
Director  
Date: 12/08/2014

Kong Jing  
Director  
Date: 12/08/2014