CHINA DAIRY GROUP LTD
Registration No. 199703080Z

RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2015

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

	3 months to 31/03/2015	3 months to 31/03/2014	Change
	RMB'000	RMB'000	%
Revenue	417,986	494,126	-15.4%
Cost of Sales	(273,557)	(342,680)	-20.2%
Gross Profit	**144,429**	**151,446**	**-4.6%**
Other Items of Income			
Interest Income	301	399	-24.6%
Other Credit	3,579	2,893	23.7%
Other Items of Expenses			
Marketing and Distribution Costs	(117,522)	(115,409)	1.8%
Administrative Expenses	(22,565)	(18,951)	19.1%
Finance Costs	(2,194)	(2,059)	6.6%
Other Charges	(2,219)	(4,714)	-52.9%
Share of Loss from Associate	(291)	(118)	146.6%
Profit Before Tax	**3,518**	**13,487**	-73.9%
Income Tax Expenses	(484)	(1,358)	-64.4%
PROFIT FOR THE PERIOD	**3,034**	**12,129**	-75.0%
Profit / (Loss) Attributable to:			
Owners of the Parent	3,134	12,224	-74.4%
Non-Controlling Interests	(100)	(95)	5.3%
	3,034	**12,129**	-75.0%
Earnings Per Share (in currency units):			
Basic and Diluted (cents)	0.71	2.78	-74.4%

NM-Not meaningful

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

(A) Revenue

	3 months to 31/03/2015	3 months to 31/03/2014	Change
	RMB'000	RMB'000	%
Sale of Finished Goods	417,509	473,640	-11.9%
Sale of Materials	477	20,486	-97.7%
	417,986	**494,126**	**-15.4%**

(B) Other Credits

	3 months to 31/03/2015	3 months to 31/03/2014	Change
	RMB'000	RMB'000	%
Other income	2,118	243	771.6%
Foreign exchange adjustments gain	1,461	-	NM
Gain on disposal of investment in subsidiary	-	1,358	NM
Government grant & Tax Rebate	-	1,292	NM
	3,579	**2,893**	**23.7%**

(C) Other Charges

	3 months to 31/03/2015	3 months to 31/03/2014	Change
	RMB'000	RMB'000	%
Loss on disposal of PPE and land use right	1,409	105	1241.9%
Other expenses	496	3	16433.3%
Depreciation and direct operating expenses of investment property	314	263	19.4%
Inventories written off	-	3,245	NM
Foreign exchange adjustments loss	-	1,098	NM
	2,219	**4,714**	**-52.9%**

NM-Not meaningful

(D) Finance Costs

	3 months to 31/03/2015 RMB'000	3 months to 31/03/2014 RMB'000	Change %
Interest Expense	**2,194**	**2,059**	**6.6%**

(E) Depreciation and Amortisation

	3 months to 31/03/2015 RMB'000	3 months to 31/03/2014 RMB'000	Change %
Depreciation of Investment Property and PPE	11,052	10,125	9.2%
Amortisation of Other Assets, Non current	350	350	0.0%
	11,402	**10,475**	**8.8%**

(F) Income Tax

	3 months to 31/03/2015 RMB'000	3 months to 31/03/2014 RMB'000	Change %
Current Tax Expense/(Income)	484	1,358	**-64.4%**
	484	1,358	**-64.4%**

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		As at 31/03/2015 Group	As at 31/03/2015 Company
	As at 31/03/2015	As at 31/12/2014	As at 31/03/2015	As at 31/12/2014	Change	Change
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	355,735	360,595	10	12	-1.3%	-16.7%
Investment Property	3,168	3,257	-	-	-2.7%	-
Investments in Subsidiaries	-	-	370,532	385,565	-	-3.9%
Investment in Associate	31,548	31,839	-	-	-0.9%	-
Deferred Tax Assets	11,548	11,548	-	-	0.0%	-
Other Assets, Non-Current	44,024	44,374	-	-	-0.8%	-
Total Non-Current Assets	**446,023**	**451,613**	**370,542**	**385,577**	**-1.2%**	-3.9%
Current Assets						
Inventories	218,223	201,081	-	-	8.5%	-
Trade and Other Receivables, Current	147,663	120,213	13,784	14,340	22.8%	-3.9%
Other Financial Assets, Current	-	3,000	-	-	NM	-
Other Assets, Current	52,933	63,217	47	49	-16.3%	-4.1%
Cash and Cash Equivalents	84,628	98,272	1,853	2,619	-13.9%	-29.2%
Total Current Assets	**503,447**	**485,783**	**15,684**	**17,008**	**3.6%**	-7.8%
Total Assets	**949,470**	**937,396**	**386,226**	**402,585**	**1.3%**	-4.1%
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share Capital	401,392	401,392	401,392	401,392	0.0%	0.0%
Retained Earnings/(Accumulated Losses)	(96,117)	(99,251)	249	1,058	-3.2%	-76.5%
Other Reserves	40,534	41,907	(19,938)	(4,433)	-3.3%	NM
Equity, Attributable to Equity Holders of the Parent	**345,809**	**344,048**	**381,703**	**398,017**	0.5%	-4.1%
Non-Controlling Interests	(783)	(683)	-	-	14.6%	-
Total Equity	**345,026**	**343,365**	**381,703**	**398,017**	**0.5%**	-4.1%
Non-Current Liabilities						
Finance Lease, Non-Current	4,246	5,051	-	-	-15.9%	-
Total Non-Current Liabilities	**4,246**	**5,051**	**-**	**-**	-15.9%	-
Current Liabilities						
Trade and Other Payables, Current	459,634	428,916	4,523	4,568	7.2%	-1.0%
Finance Lease, Current	2,597	2,597	-	-	0.0%	-
Other Financial Liabilities, Current	130,000	150,000	-	-	-13.3%	-
Income Tax Payable, Current	496	-	-	-	NM	-
Other Liabilities, Current	7,471	7,467	-	-	0.1%	-
Total Current Liabilities	**600,198**	**588,980**	**4,523**	**4,568**	**1.9%**	-1.0%
Total Liabilities	**604,444**	**594,031**	**4,523**	**4,568**	**1.8%**	-1.0%
Total Equity and Liabilities	**949,470**	**937,396**	**386,226**	**402,585**	**1.3%**	-4.1%
Detail of Other Components of Equity *:(for reference only)*						
Statutory Reserve	26,833	26,833				
Capital Reserve	19,689	19,689				
Translation Reserve	(5,988)	(4,615)				
	40,534	**41,907**				

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 31/03/2015		As at 31/12/2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	130,000	-	150,000	-
Financial Lease,Current	2,597	-	2,597	-

Amount repayable after one year,

	As at 31/03/2015		As at 31/12/2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Lease, Non-Current	4,246	-	5,051	-

Details of any collateral

As at 31 March 2015, the above bank borrowings of RMB130 million, financial lease current of 2.6 million and financial lease non-current of 4.2 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

	3 months to 31/03/2015	3 months to 31/03/2014	Change
	RMB'000	RMB'000	%
Profit/(Loss) for the Period	3,034	12,129	-75.0%
Other Comprehensive Income:			
Items That May Be Reclassified Subsequently to Profit or Loss			
Exchange Differences on Translating Foreign Operations	(1,373)	2,201	NM
Other Comprehensive Income for the Period, Net of Tax	**(1,373)**	**2,201**	NM
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**1,661**	**14,330**	-88.4%
Total Comprehensive Income Attributable to:			
Owners of the Parent	1,761	14,425	-87.8%
Non-Controlling Interests	(100)	(95)	5.3%
	1,661	**14,330**	-88.4%

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

	3 months to 31/03/2015	3 months to 31/03/2014
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) Before Tax	3,518	13,487
Adjustment for:		
Interest Income	(301)	(399)
Interest Expense	2,194	2,059
Share of (Gain)/Loss from Associate	291	118
Depreciation of Investment Property,Leasehold property,Plant and Equipment	11,052	10,125
Amortisation of Other Assets, Non Current	350	350
Loss on Disposal of Plant and Equipment and Land Use Rights	1,409	105
Foreign Exchange Adjustment (Gain)/Loss	(1,461)	1,098
Gain on Disposal of investment in subsidiary	-	(1,358)
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	197	(72)
Operating Cash Flows Before Changes in Working Capital	17,249	25,513
Inventories	(17,142)	(1,047)
Trade and Other Receivables, Current	(25,382)	(33,000)
Other Assets, Current	10,284	9,131
Trade and Other Payables, Current	30,718	58,424
Other Liabilities, Current	4	(3,909)
Net Cash Flows From Operations Before Tax	15,731	55,112
Income Tax Paid	(2,056)	-
Net Cash Flows From Operating Activities	**13,675**	**55,112**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment and Land Use Right	(8,219)	(10,643)
Disposal of Subsidiaries (Net of Cash Disposed)	3,000	-
Proceeds from sale of fixed assets	707	22
Interest Received	301	399
Net Cash Flows Used In Investing Activities	**(4,211)**	**(10,222)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Short-Term Borrowing	(20,000)	-
Decrease in Finance Lease, Non-current	(805)	(735)
Cash Restricted in Use Over 3 Months	3,400	(1,460)
Interest Paid	(2,194)	(2,059)
Net Cash Flows From/(Used in) Financing Activities	**(19,599)**	**(4,254)**
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	**-**	**-**
Net Increase/(Decrease) in Cash and Cash Equivalents	(10,135)	40,636
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	86,662	88,873
Effects of Foreign Exchange Rate Adjustments	(109)	150
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	**76,418**	**129,659**
Restricted	8,210	5,930
Non-restricted	76,418	129,659

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 Controling Interest
3 Months ended 31 March 2015	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Opening Balance at 1 January 2015	343,365	344,048	401,392	(99,251)	41,907	(683)
Movement in Equity:						
Total Comprehensive Income for the Period	1,661	1,761	-	3,134	(1,373)	(100)
Closing Balance at 31 March 2015	**345,026**	**345,809**	**401,392**	**(96,117)**	**40,534**	**(783)**

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings	Other Reserves	Non Controling Interest
3 Months ended 31 March 2014	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Opening Balance at 1 January 2014	323,285	323,718	401,392	(121,090)	43,416	(433)
Movement in Equity:						
Total Comprehensive Income for the Period	14,330	14,425	-	12,224	2,201	(95)
Closing Balance at 31 March 2014	**337,615**	**338,143**	**401,392**	**(108,866)**	**45,617**	**(528)**

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
3 Months ended 31 March 2015	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Opening Balance at 1 January 2015	398,017	401,392	1,058	(4,433)
Movement in Equity:				
Total Comprehensive Income for the Period	(16,314)	-	(809)	(15,505)
Closing Balance at 31 March 2015	**381,703**	**401,392**	**249**	**(19,938)**

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
3 Months ended 31 March 2014	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Opening Balance at 1 January 2014	407,313	401,392	5,966	(45)
Movement in Equity:				
Total Comprehensive Income for the Period	11,558	-	(848)	12,406
Closing Balance at 31 March 2014	**418,871**	**401,392**	**5,118**	**12,361**

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 31 March 2015.

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.

	As at 31/03/2015	As at 31/12/2014
Total Number of Issued Shares	439,627,300	439,627,300
Less: Treasury Shares	-	-
Total Number of Issued Shares Excluding Treasury Shares	439,627,300	439,627,300

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 2014, 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 2015. 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	
	3 months to 31/03/2015	3 months to 31/03/2014
Earning/(Losses) Per Share Based on Group's Net Profit Attibutable to Shareholders:		
(i) Based on the Weighted Average Number of Ordinary Shares on Issue (RMBcents)	0.71	2.78
(ii) Based on Fully Diluted Basis (RMBcents)	0.71	2.78
Number of Existing Issued Ordinary Shares (weighted average)	439,627,300	439,627,300
Number of Existing Issued Ordinary Shares (fully diluted)	439,627,300	439,627,300

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	
	As at 31/03/2015	As at 31/12/2014	As at 31/03/2015	As at 31/12/2014
Net Asset Value Per Share (RMBcents)	78.66	78.26	86.82	90.54
Number of Existing Issued Ordinary Shares (period end)	439,627,300	439,627,300	439,627,300	439,627,300

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 15.4% from RMB 494.1 million for the 1st quarter ended 31 March 2014 ("Q1 2014") to RMB 418 million for the 1st quarter ended 31 March 2015 ("Q1 2015"). Sales of finished goods for Q1 2015 were RMB 417.5 million, posting a decrease of RMB 56.1 million or 11.9% over the corresponding period last year. Sales of materials for Q1 2015 were RMB 0.5 million, decreased by 97.7%, or RMB 20 million from Q1 2014.

Due to reduction in selling price in some products and intense competition in the industry, the sale of liquid milk posted a decrease of RMB 35.3 million or 10.26% from RMB 344 million for Q1 2014 to RMB 308.7 million for Q1 2015, and sale of milk powder decreased by 16.08% from RMB 129.7 million for Q1 2014 to RMB 108.8 million for Q1 2015.

Gross Profit

Gross profit of the Group decreased by 4.6%, or RMB 7 million from RMB 151.4 million for Q1 2014 to RMB 144.4 million for Q1 2015. Gross profit margin in Q1 2015 increased 4% compared to Q1 2014.

Due to decrease in material price, the gross profit margin of liquid milk segment increased by 3.5 percentage point from 27% for Q1 2014 to 30.5% for Q1 2015, and milk powder segment increased by 2.0 percentage point from 44.2% for Q1 2014 to 46.2% for Q1 2015.

Other Credits

Other credits increased by 23.7% mainly because the increase in foreign exchange adjustments gain and other income offset the absence of gain on disposal of investment in subsidiary and government grant.

Administrative Expenses

Administrative expenses increased by 19.1% in Q1 2015 compared to the same period last year. The increases was resulted primarily from an increase in employee benefit and quality checking expense.

Other Charges

Other charges decreased by 52.9% due to absence of inventories written off and foreign exchange adjustments loss in Q1 2015.

Share of Profit/Loss from Associate

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

Profit/Loss Before Tax

As a result of the above, profit before tax was RMB 3.5 million in Q1 2015, as compared to profit before tax RMB 13.5 million in Q1 2014.

Profit/Loss , Net of Tax

Profit after income tax was RMB 3 million for Q1 2015, as compared to profit after tax RMB 12.1 million for Q1 2014.

(b) STATEMENTS OF FINANCIAL POSITION

The increase in trade and other receivables of 22.8%, or RMB 27.5 million, were due to seasonal factors and changes in customer mix.

Other assets-current decreased by 16.3%, or RMB 10.3 million as prepayments to suppliers decreased.

Cash and cash equivalents decreased by 13.9% or RMB 13.6 million mainly due to payment of borrowings.

Finance lease liabilities decreased by 15.9% or RMB 0.8 million due to payment of finance lease liabilities in current period.

Other financial liabilities-current decreased by 13.3% or 20 million due to payment of borrowings in Q1 2015.

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 from operating activities was RMB 13.7 million for Q1 2015 mainly because the group generated cash profit in the quarter.

Net cash used in investing activities was RMB 4.2 million for Q1 2015 mainly because of addition in PPE.

Net cash used in financing activities was RMB 19.6 million for Q1 2015 mainly due to payment of borrowings and interest.

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 3 months ended 31 March 2015 is consistent with its prospect statement as announced on 27 February 2015.

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 dairy industry environment will remain challenging and competition will still be intense. However, the Group will continue retaining its liquid milk leading position in its home market of Shaanxi Province through stringent quality management, continually improve cost structure and implement 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.

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 31 March 2015 to be false or misleading.

BY ORDER OF THE BOARD

Liu Huaguo
Director
Date: 14/05/2015

Kong Jing
Director
Date: 14/05/2015