

CHINA DAIRY GROUP LTD

Registration No. 199703080Z

RESULTS FOR THE 4TH QUARTER AND FULL YEAR ENDED 31 DECEMBER 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

	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	Change	12 months to 31/12/2014	12 months to 31/12/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	412,203	482,161	-14.5%	1,809,382	1,961,819	-7.8%
Cost of Sales	(268,113)	(342,587)	-21.7%	(1,229,541)	(1,398,600)	-12.1%
Gross Profit	144,090	139,574	3.2%	579,841	563,219	3.0%
Other Items of Income						
Interest Income	327	109	200.0%	880	835	5.4%
Other Credit	3,432	6,209	-44.7%	7,139	13,754	-48.1%
Other Items of Expenses						
Marketing and Distribution Costs	(125,700)	(123,219)	2.0%	(457,223)	(460,117)	-0.6%
Administrative Expenses	(24,637)	(19,381)	27.1%	(88,271)	(83,077)	6.3%
Finance Costs	(1,882)	(2,691)	-30.1%	(9,313)	(10,985)	-15.2%
Other Charges	(1,665)	(5,896)	-71.8%	(7,430)	(8,416)	-11.7%
Share of Profit/(Loss) from Associate	(14)	425	NM	817	(315)	NM
Profit/(Loss) Before Tax	(6,049)	(4,870)	24.2%	26,440	14,898	77.5%
Income Tax Income/(Expenses)	2,613	790	230.8%	(4,541)	477	NM
PROFIT/(LOSS) FOR THE PERIOD	(3,436)	(4,080)	-15.8%	21,899	15,375	42.4%
Profit / (Loss) Attributable to:						
Owners of the Parent	(3,446)	(4,010)	-14.1%	22,149	16,935	30.8%
Non-Controlling Interests	10	(70)	NM	(250)	(1,560)	-84.0%
	(3,436)	(4,080)	-15.8%	21,899	15,375	42.4%
Earnings Per Share (in currency units):						
Basic and Diluted (cents)	(0.78)	(0.91)	-14.1%	5.04	3.85	30.8%

NM-Not meaningful

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

(A) Revenue

	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	Change	12 months to 31/12/2014	12 months to 31/12/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Sale of Finished Goods	412,203	460,017	-10.4%	1,782,594	1,909,868	-6.7%
Sale of Materials	-	22,144	NM	26,788	51,951	-48.4%
	<u>412,203</u>	<u>482,161</u>	<u>-14.5%</u>	<u>1,809,382</u>	<u>1,961,819</u>	<u>-7.8%</u>

(B) Other Credits

	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	Change	12 months to 31/12/2014	12 months to 31/12/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Foreign exchange adjustments gain	2,935	623	371.1%	2,556	2,087	22.5%
Gain on disposal of investment in subsidiary	-	-	-	1,358	4,971	-72.7%
Government grant & Tax Rebate	21	2,914	-99.3%	1,880	2,914	-35.5%
Other income	476	428	11.2%	1,041	1,148	-9.3%
Rental income	-	335	NM	292	725	-59.7%
Allowance for impairment on other receivables-reversal	-	-	-	12	-	NM
Trade and other payables waived	-	1,909	NM	-	1,909	NM
	<u>3,432</u>	<u>6,209</u>	<u>-44.7%</u>	<u>7,139</u>	<u>13,754</u>	<u>-48.1%</u>

(C) Other Charges

	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	Change	12 months to 31/12/2014	12 months to 31/12/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Inventories written off	1,265	938	34.9%	5,383	2,156	149.7%
Depreciation and direct operating expenses of investment property	315	281	12.1%	1,224	1,087	12.6%
Loss on disposal of PPE and land use right	82	17	382.4%	554	33	1578.8%
Other expenses	3	745	-99.6%	269	1,225	-78.0%
Allowance for Impairment on Other Assets, Current	-	3,032	NM	-	3,032	NM
Allowance for Impairment on Trade Receivables	-	757	NM	-	757	NM
Allowance for Impairment on Other Receivables	-	126	NM	-	126	NM
	<u>1,665</u>	<u>5,896</u>	<u>-71.8%</u>	<u>7,430</u>	<u>8,416</u>	<u>-11.7%</u>

NM-Not meaningful

PPE-property, plant and equipment

(D) Finance Costs

	4th Quarter to 31/12/2014 RMB'000	4th Quarter to 31/12/2013 RMB'000	Change %	12 months to 31/12/2014 RMB'000	12 months to 31/12/2013 RMB'000	Change %
Interest Expense	1,882	2,691	-30.1%	9,313	10,985	-15.2%

(E) Depreciation and Amortisation

	4th Quarter to 31/12/2014 RMB'000	4th Quarter to 31/12/2013 RMB'000	Change %	12 months to 31/12/2014 RMB'000	12 months to 31/12/2013 RMB'000	Change %
Depreciation of Investment Property and PPE	10,557	10,135	4.2%	41,517	41,720	-0.5%
Amortisation of Other Assets, Non current	350	351	-0.3%	1,401	1,425	-1.7%
	<u>10,907</u>	<u>10,486</u>	<u>4.0%</u>	<u>42,918</u>	<u>43,145</u>	<u>-0.5%</u>

(F) Income Tax

	4th Quarter to 31/12/2014 RMB'000	4th Quarter to 31/12/2013 RMB'000	Change %	12 months to 31/12/2014 RMB'000	12 months to 31/12/2013 RMB'000	Change %
Deferred Tax Expenses/(Income)	2,699	(2,917)	NM	2,699	(2,853)	NM
Current Tax Expense/(Income)	(5,312)	2,127	NM	1,842	2,376	-22.5%
	<u>(2,613)</u>	<u>(790)</u>	<u>230.8%</u>	<u>4,541</u>	<u>(477)</u>	<u>NM</u>

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 31/12/2014	As at 31/12/2013	As at 31/12/2014	As at 31/12/2013	Change %	Change %
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	360,595	334,301	12	5	7.9%	140.0%
Investment Property	3,257	3,614	-	-	-9.9%	-
Investments in Subsidiaries	-	-	385,565	389,899	-	-1.1%
Investment in Associate	31,839	23,233	-	-	37.0%	-
Deferred Tax Assets	11,548	14,247	-	-	-18.9%	-
Other Assets, Non-Current	44,374	45,775	-	-	-3.1%	-
Total Non-Current Assets	451,613	421,170	385,577	389,904	7.2%	-1.1%
Current Assets						
Inventories	201,081	194,408	-	-	3.4%	-
Trade and Other Receivables, Current	120,213	122,789	14,340	15,438	-2.1%	-7.1%
Other Financial Assets, Current	3,000	3,000	-	-	0.0%	-
Other Assets, Current	63,217	62,624	49	51	0.9%	-3.9%
Cash and Cash Equivalents	98,272	93,343	2,619	4,543	5.3%	-42.4%
Total Current Assets	485,783	476,164	17,008	20,032	2.0%	-15.1%
Total Assets	937,396	897,334	402,585	409,936	4.5%	-1.8%
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)	(99,251)	(121,090)	1,058	5,968	-18.0%	-82.3%
Other Reserves	41,907	43,416	(4,433)	(45)	-3.5%	9751.1%
Equity, Attributable to Equity Holders of the Parent	344,048	323,718	398,017	407,315	6.3%	-2.3%
Non-Controlling Interests	(683)	(433)	-	-	57.7%	-
Total Equity	343,365	323,285	398,017	407,315	6.2%	-2.3%
Non-Current Liabilities						
Finance Lease, Non-Current	5,051	8,234	-	-	-38.7%	-
Total Non-Current Liabilities	5,051	8,234	-	-	-38.7%	-
Current Liabilities						
Trade and Other Payables, Current	428,916	421,759	4,568	2,621	1.7%	74.3%
Finance Lease, Current	2,597	1,800	-	-	44.3%	-
Other Financial Liabilities, Current	150,000	130,400	-	-	15.0%	-
Other Liabilities, Current	7,467	11,856	-	-	-37.0%	-
Total Current Liabilities	588,980	565,815	4,568	2,621	4.1%	74.3%
Total Liabilities	594,031	574,049	4,568	2,621	3.5%	74.3%
Total Equity and Liabilities	937,396	897,334	402,585	409,936	4.5%	-1.8%
Detail of Other Components of Equity (for reference only)						
Statutory Reserve	26,833	26,833	-	-	-	-
Capital Reserve	19,689	19,689	-	-	-	-
Translation Reserve	(4,615)	(3,106)	-	-	-	-
	41,907	43,416	-	-	-	-

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 31/12/2014		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	2,597	-	1,800	-

Amount repayable after one year,

	As at 31/12/2014		As at 31/12/2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Lease, Non-Current	5,051	-	8,234	-

Details of any collateral

As at 31 December 2014, the above bank borrowings of RMB 150 million, financial lease current of 2.597 million and financial lease non-current of 5.051 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

	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	Change	12 months to 31/12/2014	12 months to 31/12/2013	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit/(Loss) for the Period	(3,436)	(4,080)	-15.8%	21,899	15,375	42.4%
Other Comprehensive Income:						
Items That May Be Reclassified Subsequently to Profit or Loss						
Exchange Differences on Translating Foreign Operations	(3,946)	(696)	467.0%	(2,533)	(2,536)	-0.1%
Other Comprehensive Income for the Period, Net of Tax	(3,946)	(696)	467.0%	(2,533)	(2,536)	-0.1%
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(7,382)	(4,776)	54.6%	19,366	12,839	50.8%
Total Comprehensive Income Attributable to:						
Owners of the Parent	(7,392)	(4,706)	57.1%	19,616	14,399	36.2%
Non-Controlling Interests	10	(70)	NM	(250)	(1,560)	-84.0%
	(7,382)	(4,776)	54.6%	19,366	12,839	50.8%

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

	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	12 months to 31/12/2014	12 months to 31/12/2013
	RMB'000	RMB'000	RMB'000	RMB'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Profit/(Loss) Before Tax	(6,049)	(4,870)	26,440	14,898
Adjustment for:				
Interest Income	(327)	(109)	(880)	(835)
Interest Expense	1,882	2,691	9,313	10,985
Share of (Gain)/Loss from Associate	14	(425)	(817)	315
Depreciation of Investment Property, Leasehold property, Plant and Equipment	10,557	10,135	41,517	41,720
Amortisation of Other Assets, Non Current	350	351	1,401	1,425
Loss on Disposal of Plant and Equipment and Land Use Rights	82	17	554	33
Foreign Exchange Adjustment (Gain)/Loss	(2,935)	(623)	(2,556)	(2,087)
Gain on Disposal of investment in subsidiary	-	-	(1,358)	(4,971)
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	108	172	78	201
Operating Cash Flows Before Changes in Working Capital	3,682	7,339	73,692	61,684
Inventories	7,773	(21,998)	(6,673)	(7,680)
Trade and Other Receivables, Current	13,341	22,360	462	(5,301)
Other Assets, Current	2,811	12,795	(593)	(20,616)
Trade and Other Payables, Current	(20,741)	(15,723)	9,946	13,053
Other Liabilities, Current	(3,808)	(2,401)	(4,389)	(9,168)
Net Cash Flows From Operations Before Tax	3,058	2,372	72,445	31,972
Income Tax Paid	(1,071)	-	(1,634)	(249)
Net Cash Flows From Operating Activities	1,987	2,372	70,811	31,723
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Disposal of Plant and Equipment and Land Use Right	184	60	211	131
Purchase of Property, Plant and Equipment and Land Use Right	(20,880)	(10,726)	(68,219)	(29,497)
Disposal of Subsidiaries (Net of Cash Disposed)	-	-	1,500	1,476
Increase in Investment in Associate	-	-	(8,100)	-
Interest Received	327	109	880	835
Net Cash Flows Used In Investing Activities	(20,369)	(10,557)	(73,728)	(27,055)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Increase/(Decrease) in Short-Term Borrowing	-	(20,000)	19,600	(37,700)
Decrease in Finance Lease, Non-current	(621)	2,741	(2,386)	(579)
Cash Restricted in Use Over 3 Months	8,430	(4,470)	1,290	12,880
Interest Paid	(1,882)	(2,691)	(9,313)	(10,985)
Net Cash Flows From/(Used in) Financing Activities	5,927	(24,420)	9,191	(36,384)
Net Increase/(Decrease) in Cash and Cash Equivalents	(12,455)	(32,605)	6,274	(31,716)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	107,643	121,618	88,873	121,125
Effects of Foreign Exchange Rate Adjustments	(96)	(140)	(55)	(536)
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	95,092	88,873	95,092	88,873
Restricted	3,180	4,470	3,180	4,470
Non-restricted	95,092	88,873	95,092	88,873

- 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
4th Quarter ended 31 December 2014	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 October 2014	350,033	350,726	401,392	(95,495)	44,829	(693)
Movement in Equity:						
Total Comprehensive Income for the Period	(7,382)	(7,392)	-	(3,446)	(3,946)	10
Disposal of Subsidiary	1,024	1,024	-	-	1,024	-
Effect of Shareholding Change in Associate	(310)	(310)	-	(310)	-	-
Closing Balance at 31 December 2014	343,365	344,048	401,392	(99,251)	41,907	(683)

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
4th Quarter ended 31 December 2013	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 October 2013	328,061	328,424	401,392	(117,080)	44,112	(363)
Movement in Equity:						
Total Comprehensive Income for the Period	(4,776)	(4,706)	-	(4,010)	(696)	(70)
Closing Balance at 31 December 2013	323,285	323,718	401,392	(121,090)	43,416	(433)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
4th Quarter ended 31 December 2014	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 October 2014	407,550	401,392	2,762	3,396
Movement in Equity:				
Total Comprehensive Income for the Period	(9,533)	-	(1,704)	(7,829)
Closing Balance at 31 December 2014	398,017	401,392	1,058	(4,433)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
4th Quarter ended 31 December 2013	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 October 2013	414,543	401,392	6,314	6,837
Movement in Equity:				
Total Comprehensive Income for the Period	(7,228)	-	(346)	(6,882)
Closing Balance at 31 December 2013	407,315	401,392	5,968	(45)

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
12 Months ended 31 December 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	19,366	19,616	-	22,149	(2,533)	(250)
Disposal of Subsidiary	1,024	1,024	-	-	1,024	-
Effect of Shareholding Change in Associate	(310)	(310)	-	(310)	-	-
Closing Balance at 31 December 2014	343,365	344,048	401,392	(99,251)	41,907	(683)

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
12 Months ended 31 December 2013	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 January 2013	314,693	312,341	401,392	(138,025)	48,974	2,352
Movement in Equity:						
Total Comprehensive Income for the Period	12,839	14,399	-	16,935	(2,536)	(1,560)
Disposal of Subsidiary	(4,247)	(3,022)	-	-	(3,022)	(1,225)
Closing Balance at 31 December 2013	323,285	323,718	401,392	(121,090)	43,416	(433)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
12 Months ended 31 December 2014	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 January 2014	407,315	401,392	5,968	(45)
Movement in Equity:				
Total Comprehensive Income for the Period	(9,298)	-	(4,910)	(4,388)
Closing Balance at 31 December 2014	398,017	401,392	1,058	(4,433)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
12 Months ended 31 December 2013	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 January 2013	436,772	401,392	8,938	26,442
Movement in Equity:				
Total Comprehensive Income for the Period	(29,457)	-	(2,970)	(26,487)
Closing Balance at 31 December 2013	407,315	401,392	5,968	(45)

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 December 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.

	As at 31/12/2014	As at 31/12/2013
Total Number of Issued Shares	439,627,300	439,627,300
Less: Treasury Shares	-	-
Total Number of Issued Shares Excluding Treasury Shares	<u>439,627,300</u>	<u>439,627,300</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			
	4th Quarter to 31/12/2014	4th Quarter to 31/12/2013	12 months to 31/12/2014	12 months to 31/12/2013
Earning/(Losses) Per Share Based on Group's Net Profit Attributable to Shareholders:				
(i) Based on the Weighted Average Number of Ordinary Shares on Issue (RMBcents)	(0.78)	(0.91)	5.04	3.85
(ii) Based on Fully Diluted Basis (RMBcents)	(0.78)	(0.91)	5.04	3.85
Number of Existing Issued Ordinary Shares (weighted average)	439,627,300	439,627,300	439,627,300	439,627,300
Number of Existing Issued Ordinary Shares (fully diluted)	439,627,300	439,627,300	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 31/12/2014	As at 31/12/2013	As at 31/12/2014	As at 31/12/2013
Net Asset Value Per Share (RMBcents)	78.26	73.63	90.54	92.65
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 14.5% from RMB 482.2 million for the 4th quarter ended 31 December 2013 ("Q4 2013") to RMB 412.2 million for the 4th quarter ended 31 December 2014 ("Q4 2014"). Sales of finished goods for Q4 2014 were RMB 412.2 million, posting a decrease of RMB 47.8 million or 10.4% from the corresponding period last year. There was no sales of materials for Q4 2014, while that of Q4 2013 was RMB 22.1 million.

The sales of liquid milk decreased by 10.9% from RMB 328.2million for Q4 2013 to RMB 292.5 million for Q4 2014 due to change in products mix and competition. The sales of milk powder decreased by 9.2% from RMB 131.9 million for Q4 2013 to RMB 119.7 million for Q4 2014 due to decrease in average selling price in some provinces.

Gross Profit

Gross profit of the Group increased by 3.2%, or RMB 4.5 million from RMB 139.6 million for Q4 2013 to RMB 144.1 million for Q4 2014. Gross profit margin in Q4 2014 increased by 6% compared to Q4 2013.

The gross profit margin of liquid milk segment increased by 9.6 percentage point from 23% for Q4 2013 to 32.6% for Q4 2014 due to decrease in unit cost and better products mix. However, the milk powder segment decreased by 8.3 percentage point from 48.8% for Q4 2013 to 40.5% for Q4 2014 due to decrease in average selling price.

Other Credits

Other credits decreased by 44.7% mainly because of decrease in government grant and tax rebate and absence of trade and other payables waived.

Administrative Expenses

Administrative expenses increased by 27.1% in Q4 2014 compared to the same period last year. The increases were resulted primarily from increase in employee benefit expenses and other tax.

Finance Costs

Finance costs decreased by 30.1% in Q4 2014 compared to the same period last year. This was mainly due to decrease in interest rate.

Other Charges

Other charges decreased from Q4 2013 to Q4 2014 mainly due to absence of allowance for impairment on other asset, trade and other receivables and decrease in other expenses.

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”)) in Q4 2014.

Profit/Loss Before Tax

Loss before tax was RMB 6 million in Q4 2014, as compared to loss before tax RMB 4.9 million in Q4 2013.

Profit/Loss, Net of Tax

Loss after income tax was RMB 3.4 million for Q4 2014, as compared to loss after tax RMB 4.1 million for Q4 2013.

(b) STATEMENTS OF FINANCIAL POSITION

The increase in investment in associate by 37%, or RMB 8.6 million was attributed to further capital investment made for Aomeihui amounting to RMB 8.1 million and share of profit from the associate amounting to RMB 0.8 million and effect of shareholding change in associate amounting to RMB 0.3 million.

Total finance lease liabilities decreased by 23.8% or RMB 2.4 million mainly due to payment of finance lease liabilities in current period.

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

Other liabilities-current decreased by 37% or RMB 4.4 million as advances from customers decreased.

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 2 million for Q4 2014 mainly because the group generated cash profit in the quarter.

Net cash used in investing activities was RMB 20.4 million for Q4 2014 mainly because of purchasing PPE.

Net cash from financing activities was RMB 5.9 million for Q4 2014 mainly because of decrease in cash restricted in use over 3 months.

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 12 months ended 31 December 2014 is consistent with its prospect statement as announced on 12 November 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 dairy industry environment is challenging and under intense competition, the Group 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.

With an aim of strengthening its 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 December 2014 to be false or misleading.

PART II -ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

SEGMENTAL RESULTS

(i) Business segments	2014			
	<u>Milk Powder</u>	<u>Liquid Milk</u>	<u>Unallocated</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations 2013				
Revenue by Segment				
Total revenue by segment	720,252	1,334,181	26,788	2,081,221
Inter-segment revenue	(271,839)	-	-	(271,839)
Total external revenue	448,413	1,334,181	26,788	1,809,382
Recurring EBITDA	12,232	49,684	15,938	77,854
Depreciation and amortisation	(8,039)	(18,885)	(15,994)	(42,918)
ORBIT	4,193	30,799	(56)	34,936
Finance cost	(17)	-	(9,296)	(9,313)
Share loss of joint venture	-	-	817	817
Profit before income tax from continuing operations	4,176	30,799	(8,535)	26,440
Income tax expenses				(4,541)
Profit from continuing operations				21,899

(i) Business segments	2013			
	<u>Milk Powder</u>	<u>Liquid Milk</u>	<u>Unallocated</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations 2013				
Revenue by Segment				
Total revenue by segment	808,499	1,404,372	51,951	2,264,822
Inter-segment revenue	(303,003)	-	-	(303,003)
Total external revenue	505,496	1,404,372	51,951	1,961,819
Recurring EBITDA	32,240	10,622	26,481	69,343
Depreciation and amortisation	(9,941)	(19,245)	(13,959)	(43,145)
ORBIT	22,299	(8,623)	12,522	26,198
Finance cost	(925)	-	(10,060)	(10,985)
Share loss of joint venture	-	-	(315)	(315)
Profit before income tax from continuing operations	21,374	(8,623)	2,147	14,898
Income tax expenses				477
Profit from continuing operations				15,375

(ii) Geographical segments

The Group only operates in one geographical segment which is the People's Republic of China.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earning by the business of geographical segments.

Please refer to note 8 above.

17. A breakdown of sales is provided as follows:

A breakdown of sales

	Group		
	As at 31/12/2014	As at 31/12/2013	Change
	RMB'000	RMB'000	%
(i) Turnover reported for:			
First half year ended 30 June	929,944	960,371	-3.2%
Second half year ended 31 December	879,438	1,001,448	-12.2%
	1,809,382	1,961,819	-7.8%
(ii) Profit/(Losses) after tax reported for:			
First half year ended 30 June	14,384	17,745	-18.9%
Second half year ended 31 December	7,515	-2,370	NM
	21,899	15,375	42.4%

NM-Not meaningful

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year is provided as follows:-

Not Applicable.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Li Jia	36	Son-in-law of Liu Huaguo	General Manager of Xi'An Yinqiao Biological Science and Technology Co. Ltd. 2012	NA

BY ORDER OF THE BOARD

Liu Huaguo
Director
Date: 27/02/2015

Kong Jing
Director
Date: 27/02/2015