



CHINA DAIRY GROUP LTD
Registration No. 199703080Z

RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2016

**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 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Revenue	381,289	417,986	-8.8%
Cost of Sales	(243,159)	(273,557)	-11.1%
Gross Profit	138,130	144,429	-4.4%
<u>Other Items of Income</u>			
Interest Income	138	301	-54.2%
Other Credit	255	3,579	-92.9%
<u>Other Items of Expenses</u>			
Marketing and Distribution Costs	(107,563)	(117,522)	-8.5%
Administrative Expenses	(21,186)	(22,565)	-6.1%
Finance Costs	(2,532)	(2,194)	15.4%
Other Charges	(6,333)	(2,219)	185.4%
Share of Profit/(Loss) from Associate	230	(291)	NM
Profit Before Tax	1,139	3,518	-67.6%
Income Tax Expenses	(17)	(484)	-96.5%
PROFIT FOR THE PERIOD	1,122	3,034	-63.0%
Profit / (Loss) Attributable to:			
Owners of the Parent	1,194	3,134	-61.9%
Non-Controlling Interests	(72)	(100)	-28.0%
	1,122	3,034	-63.0%
Earnings Per Share (in currency units):			
Basic and Diluted (cents)	0.27	0.71	-61.9%

NM-Not meaningful

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

(A) Revenue

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Sale of Finished Goods	378,927	417,509	-9.2%
Sale of Materials	2,362	477	395.2%
	381,289	417,986	-8.8%

(B) Other Credits

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Other Income	140	2,118	-93.4%
Foreign Exchange Adjustments Gain	-	1,461	NM
Rental Income	115	-	NM
	255	3,579	-92.9%

(C) Other Charges

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Loss on Disposal of PPE and Land Use Right	45	1,409	-96.8%
Inventories Written Off	2,772	295	839.7%
Depreciation and Direct Operating Expenses of Investment Property	303	314	-3.5%
Foreign Exchange Adjustments Loss	3,213	-	NM
Other Expenses	-	201	NM
	6,333	2,219	185.4%

NM-Not meaningful

PPE-property, plant and equipment

(D) Finance Costs

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Interest Expense	2,532	2,194	15.4%

(E) Depreciation and Amortisation

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Depreciation of Investment Property and PPE	8,713	11,052	-21.2%
Amortisation of Other Assets, Non current	369	350	5.4%
	9,082	11,402	-20.3%

(F) Income Tax

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Current Tax Expense	17	484	-96.5%
	17	484	-96.5%

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

	As at 31/03/2016					
	Group		Company		Group	Company
	As at 31/03/2016	As at 31/12/2015	As at 31/03/2016	As at 31/12/2015	Change	Change
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	375,056	370,929	-	5	1.1%	NM
Investment Property	2,810	2,900	-	-	-3.1%	-
Investments in Subsidiaries	-	-	393,991	377,630	-	4.3%
Investment in Associate	31,963	31,733	-	-	0.7%	-
Deferred Tax Assets	11,137	11,137	-	-	0.0%	-
Other Assets, Non-Current	42,972	43,341	-	-	-0.9%	-
Total Non-Current Assets	463,938	460,040	393,991	377,635	0.8%	4.3%
Current Assets						
Inventories	153,641	185,909	-	-	-17.4%	-
Trade and Other Receivables, Current	153,266	141,852	9,887	9,473	8.0%	4.4%
Other Assets, Current	45,637	50,162	96	55	-9.0%	74.5%
Cash and Cash Equivalents	177,438	94,853	5,078	6,567	87.1%	-22.7%
Total Current Assets	529,982	472,776	15,061	16,095	12.1%	-6.4%
Total Assets	993,920	932,816	409,052	393,730	6.6%	3.9%
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)	(92,527)	(93,721)	(4,925)	(3,659)	-1.3%	34.6%
Other Reserves	43,368	40,272	4,002	(12,654)	7.7%	NM
Equity, Attributable to Equity Holders of the Parent	352,233	347,943	400,469	385,079	1.2%	4.0%
Non-Controlling Interests	(1,026)	(954)	-	-	7.5%	-
Total Equity	351,207	346,989	400,469	385,079	1.2%	4.0%
Non-Current Liabilities						
Finance Lease, Non-Current	13,707	11,579	-	-	18.4%	-
Total Non-Current Liabilities	13,707	11,579	-	-	18.4%	-
Current Liabilities						
Trade and Other Payables, Current	388,247	406,963	8,583	8,651	-4.6%	-0.8%
Finance Lease, Current	4,170	5,657	-	-	-26.3%	-
Other Financial Liabilities, Current	219,000	150,000	-	-	46.0%	-
Other Liabilities, Current	17,589	11,628	-	-	51.3%	-
Total Current Liabilities	629,006	574,248	8,583	8,651	9.5%	-0.8%
Total Liabilities	642,713	585,827	8,583	8,651	9.7%	-0.8%
Total Equity and Liabilities	993,920	932,816	409,052	393,730	6.6%	3.9%
Detail of Other Components of Equity : (for reference only)						
Statutory Reserve	26,833	26,833	-	-	-	-
Capital Reserve	19,689	19,689	-	-	-	-
Translation Reserve	(3,154)	(6,250)	-	-	-	-
	43,368	40,272				

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 31/03/2016		As at 31/12/2015	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	219,000	-	150,000	-
Financial Lease, Current	4,170	-	5,657	-

Amount repayable after one year,

	As at 31/03/2016		As at 31/12/2015	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Lease, Non-Current	13,707	-	11,579	-

Details of any collateral

As at 31 MARCH 2016, the above bank borrowings of RMB 219 million, financial lease current of 4.17 million and financial lease non-current of 13.707 million were secured by pledges on the group's PPE, land use rights and cash in bank.

1(b)(iii) STATEMENT OF COMPREHENSIVE INCOME

	3 months to 31/03/2016	3 months to 31/03/2015	Change
	RMB'000	RMB'000	%
Profit for the Period	1,122	3,034	-63.0%
Other Comprehensive Income:			
Items That May Be Reclassified Subsequently to Profit or Loss			
Exchange Differences on Translating Foreign Operations	3,096	(1,373)	NM
Other Comprehensive Income for the Period, Net of Tax	3,096	(1,373)	NM
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,218	1,661	153.9%
Total Comprehensive Income/(Loss) Attributable to:			
Owners of the Parent	4,290	1,761	143.6%
Non-Controlling Interests	(72)	(100)	-28.0%
	4,218	1,661	153.9%

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 31/03/2016	3 months to 31/03/2015
	RMB'000	RMB'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit Before Tax	1,139	3,518
Adjustment for:		
Interest Income	(138)	(301)
Interest Expense	2,532	2,194
Share of (Gain)/Loss from Associate	(230)	291
Depreciation of Investment Property, Leasehold property, Plant and Equipment	8,713	11,052
Amortisation of Other Assets, Non Current	369	350
Loss on Disposal of Plant and Equipment and Land Use Rights	45	1,409
Foreign Exchange Adjustment (Gain)/Loss	3,213	(1,461)
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	(408)	197
Operating Cash Flows Before Changes in Working Capital	15,235	17,249
Inventories	32,268	(17,142)
Trade and Other Receivables, Current	(11,431)	(25,382)
Other Assets, Current	4,525	10,284
Trade and Other Payables, Current	(18,716)	30,718
Other Liabilities, Current	5,961	4
Net Cash Flows From Operations Before Tax	27,842	15,731
Income Tax Paid	-	(2,056)
Net Cash Flows From Operating Activities	27,842	13,675
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Disposal of Plant and Equipment and Land Use Right	9	707
Purchase of Property, Plant and Equipment and Land Use Right	(12,804)	(8,219)
Disposal of Subsidiaries (Net of Cash Disposed)	-	3,000
Interest Received	138	301
Net Cash Flows Used In Investing Activities	(12,657)	(4,211)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in Short-Term Borrowing	69,000	(20,000)
Decrease in Finance Lease, Non-current	641	(805)
Cash Restricted in Use Over 3 Months	(880)	3,400
Interest Paid	(2,532)	(2,194)
Net Cash Flows From/(Used in) Financing Activities	66,229	(19,599)
Net Increase/(Decrease) in Cash and Cash Equivalents	81,414	(10,135)
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	56,543	86,662
Effects of Foreign Exchange Rate Adjustments	291	(109)
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance	138,248	76,418
Restricted	39,190	8,210
Non-restricted	138,248	76,418

- 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
3 Months ended 31 March 2016						
Opening Balance at 1 January 2016	346,989	347,943	401,392	(93,721)	40,272	(954)
Movement in Equity:						
Total Comprehensive Income for the Period	4,218	4,290	-	1,194	3,096	(72)
Closing Balance at 31 March 2016	351,207	352,233	401,392	(92,527)	43,368	(1,026)

	Group					
	Total Equity	Attributable to Parent Sub- total	Share Capital	Retained Earnings	Other Reserves	Non Controlling Interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3 Months ended 31 March 2015						
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)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
3 Months ended 31 March 2016				
Opening Balance at 1 January 2016	385,079	401,392	(3,659)	(12,654)
Movement in Equity:				
Total Comprehensive Income for the Period	15,390	-	(1,266)	16,656
Closing Balance at 31 March 2016	400,469	401,392	(4,925)	4,002

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
3 Months ended 31 March 2015				
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)

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 2016.

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 31/03/2016</u>	<u>As at 31/12/2015</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>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 2015, 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 2016. 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 31/03/2016	3 months to 31/03/2015
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)	0.27	0.71
(ii) Based on Fully Diluted Basis (RMBcents)	0.27	0.71
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 31/03/2016	As at 31/12/2015	As at 31/03/2016	As at 31/12/2015
Net Asset Value Per Share (RMBcents)	80.12	79.14	91.09	87.59
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 8.8% from RMB 418.0 million for the 1st quarter ended 31 March 2015 ("Q1 2015") to RMB 381.3 million for the 1st quarter ended 31 March 2016 ("Q1 2016"). Sales of finished goods for Q1 2016 were RMB 378.9 million, posting a decrease of RMB 38.6 million or 9.2% from the corresponding period last year. Sales of materials for Q1 2016 was RMB 2.4 million, increased by 395.2%, or RMB 1.9 million from Q1 2015.

Due to competition, the sales of liquid milk decreased by 5.5% from RMB 308.7 million for Q1 2015 to RMB 291.7 million for Q1 2016 and the sales of milk powder decreased by 19.8% from RMB 108.8 million for Q1 2015 to RMB 87.3 million for Q1 2016.

Gross Profit

Gross profit of the Group decreased by 4.4%, or RMB 6.3 million from RMB 144.4 million for Q1 2015 to RMB 138.1 million for Q1 2016. Gross profit margin in Q1 2016 increased by 1.7 percentage point compared to Q1 2015.

The gross profit margin of liquid milk segment increased by 6.4 percentage point from 30.5% for Q1 2015 to 36.9% for Q1 2016 due to lower purchase price for raw milk and better products mix. However, the milk powder segment decreased by 11.4 percentage point from 46.2% for Q1 2015 to 34.8% for Q1 2016 due to increase in unit production cost.

Interest Income

Interest income decreased by 54.2% in Q1 2016 due to decrease in average interest rate during Q1 2016 compared to the corresponding period.

Other Credit

Other credit decreased by 92.9% mainly due to absence of foreign exchange adjustments gain and decline in other income in Q1 2016.

Finance Costs

Finance costs increased by 15.4% in Q1 2016 compared to the same period last year. This was mainly due to increase in bank loan and finance lease.

Other Charges

Other charges increased by 185.4% in Q1 2016 mainly due to increase in inventories written off and foreign exchange adjustments loss, which offset the effect of decrease in loss on disposal of PPE and land use right.

Share of Profit/Loss from Associate

The share of profit from an associate in Q1 2016 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”) in period.

Profit Before Tax

Profit before tax was RMB 1.1 million in Q1 2016, as compared to profit before tax RMB 3.5 million in Q1 2015.

Profit, Net of Tax

Profit after income tax was RMB 1.1 million for Q1 2016, as compared to profit after tax RMB 3.0 million for Q1 2015.

(b) STATEMENTS OF FINANCIAL POSITION

The decrease in inventories of 17.4%, or RMB 32.3 million, was due to usage of inventories during the period.

The increase in trade and other receivables by 8%, or RMB 11.4 million, was due to changes in customer mix.

Other assets-current decreased by 9%, or RMB 4.5 million as prepayments to suppliers decreased.

Cash and cash equivalents increased by 87.1%, or RMB 82.6 million due to more loans obtain.

Finance lease, non-current and current liabilities increased by 3.7%, or RMB 0.6 million, due to adjustment of liabilities during the period.

Other financial liabilities, current, increased by 46.0%, or RMB 69 million, was due to more bank loans obtained during the period.

Other liabilities-current increased by 51.3%, or RMB 6 million to RMB 17.6 million as advances from customers 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 from operating activities was RMB 27.8 million for Q1 2016 mainly because the group generated cash profit in the quarter and decrease in working capital employed.

Net cash used in investing activities was RMB 12.7 million for Q1 2016 mainly because of purchase of PPE.

Net cash from financing activities was RMB 66.2 million for Q1 2016 mainly because increase in short term borrowings.

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 2016 is consistent with its prospect statement as announced on 29 February 2016.

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 March 2016 to be false or misleading.

BY ORDER OF THE BOARD

Liu Huaguo
Director
Date: 13/05/2016

Kong Jing
Director
Date: 13/05/2016