CHINA DAIRY GROUP LTD
Registration No. 199703080Z

RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 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

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	408,124	439,959	-7.2%	826,110	929,944	-11.2%
Cost of Sales	(272,761)	(306,635)	-11.0%	(546,318)	(645,174)	-15.3%
Gross Profit	**135,363**	**133,324**	1.5%	**279,792**	**284,770**	-1.7%
Other Items of Income						
Interest Income	67	96	-30.2%	368	495	-25.7%
Other Credit	96	238	-59.7%	2,719	3,131	-13.2%
Other Items of Expenses						
Marketing and Distribution Costs	(108,611)	(104,122)	4.3%	(226,133)	(219,531)	3.0%
Administrative Expenses	(23,583)	(23,028)	2.4%	(46,148)	(41,979)	9.9%
Finance Costs	(2,038)	(2,402)	-15.2%	(4,232)	(4,461)	-5.1%
Other Charges	(1,470)	(1,685)	-12.8%	(2,733)	(6,399)	-57.3%
Share of Loss from Associate	(476)	883	NM	(767)	765	NM
Profit/(Loss) Before Tax	**(652)**	**3,304**	NM	**2,866**	**16,791**	-82.9%
Income Tax Expenses	(540)	(1,049)	-48.5%	(1,024)	(2,407)	-57.5%
Profit/(Loss) FOR THE PERIOD	**(1,192)**	**2,255**	NM	**1,842**	**14,384**	-87.2%
Profit / (Loss) Attributable to:						
Owners of the Parent	(1,103)	2,329	NM	2,031	14,553	-86.0%
Non-Controlling Interests	(89)	(74)	20.3%	(189)	(169)	11.8%
	(1,192)	**2,255**	-152.9%	**1,842**	**14,384**	-87.2%
Earnings Per Share (in currency units):						
Basic and Diluted (cents)	(0.25)	0.53	NM	0.46	3.31	-86.0%

NM-Not meaningful

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

(A) Revenue

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Sale of Finished Goods	402,641	433,882	-7.2%	820,150	907,522	-9.6%
Sale of Materials	5,483	6,077	-9.8%	5,960	22,422	-73.4%
	408,124	**439,959**	**-7.2%**	**826,110**	**929,944**	**-11.2%**

(B) Other Credits

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Other income	34	225	-84.9%	2,152	468	359.8%
Foreign exchange adjustments gain	-	-	NM	567	-	NM
Gain on disposal of investment in subsidiary	-	-	-	-	1,358	NM
Government grant & Tax Rebate	-	-	-	-	1,292	NM
Allowance for impairment on other receivables-reversal	-	13	NM	-	13	NM
Gain on Disposal of PPE and Land Use Right	62	-	NM	-	-	NM
	96	**238**	**-59.7%**	**2,719**	**3,131**	**-13.2%**

(C) Other Charges

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Loss on disposal of PPE and land use right	-	275	NM	1,347	380	254.5%
Depreciation and direct operating expenses of investment property	311	315	-1.3%	625	578	8.1%
Inventories written off	265	469	-43.5%	560	3,714	-84.9%
Other expenses	-	260	NM	201	263	-23.6%
Foreign exchange adjustments loss	894	366	NM	-	1,464	NM
	1,470	**1,685**	**-12.8%**	**2,733**	**6,399**	**-57.3%**

NM-Not meaningful

(D) Finance Costs

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest Expense	**2,038**	**2,402**	**-15.2%**	**4,232**	**4,461**	**-5.1%**

(E) Depreciation and Amortisation

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of Investment Property and PPE	11,001	10,289	6.9%	22,053	20,414	8.0%
Amortisation of Other Assets, Non current	351	350	0.3%	701	700	0.1%
	11,352	**10,639**	**6.7%**	**22,754**	**21,114**	**7.8%**

(F) Income Tax

	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Current Tax Expense/(Income)	540	1,049	-48.5%	1,024	2,407	-57.5%
	540	**1,049**	-48.5%	**1,024**	**2,407**	-57.5%

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

	Group		Company		As at 30/06/2015 Group	As at 30/06/2015 Company
	As at 30/06/2015	As at 31/12/2014	As at 30/06/2015	As at 31/12/2014	Change	Change
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	348,886	360,595	9	12	-3.2%	-25.0%
Investment Property	3,078	3,257	-	-	-5.5%	-
Investments in Subsidiaries	-	-	379,215	385,565	-	-1.6%
Investment in Associate	31,072	31,839	-	-	-2.4%	-
Deferred Tax Assets	11,548	11,548	-	-	0.0%	-
Other Assets, Non-Current	43,673	44,374	-	-	-1.6%	-
Total Non-Current Assets	**438,257**	**451,613**	**379,224**	**385,577**	**-3.0%**	-1.6%
Current Assets						
Inventories	187,838	201,081	-	-	-6.6%	-
Trade and Other Receivables, Current	137,069	120,213	9,507	14,340	14.0%	-33.7%
Other Financial Assets, Current	-	3,000	-	-	NM	-
Other Assets, Current	30,690	63,217	34	49	-51.5%	-30.6%
Cash and Cash Equivalents	149,700	98,272	4,157	2,619	52.3%	58.7%
Total Current Assets	**505,297**	**485,783**	**13,698**	**17,008**	**4.0%**	-19.5%
Total Assets	**943,554**	**937,396**	**392,922**	**402,585**	**0.7%**	-2.4%
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)	(97,220)	(99,251)	(888)	1,058	-2.0%	NM
Other Reserves	41,330	41,907	(10,991)	(4,433)	-1.4%	147.9%
Equity, Attributable to Equity Holders of the Parent	**345,502**	**344,048**	**389,513**	**398,017**	**0.4%**	-2.1%
Non-Controlling Interests	(872)	(683)	-	-	27.7%	-
Total Equity	**344,630**	**343,365**	**389,513**	**398,017**	**0.4%**	-2.1%
Non-Current Liabilities						
Finance Lease, Non-Current	3,476	5,051	-	-	-31.2%	-
Total Non-Current Liabilities	**3,476**	**5,051**	**-**	**-**	**-31.2%**	**-**
Current Liabilities						
Trade and Other Payables, Current	428,494	428,916	3,409	4,568	-0.1%	-25.4%
Finance Lease, Current	2,597	2,597	-	-	0.0%	-
Other Financial Liabilities, Current	150,000	150,000	-	-	0.0%	-
Other Liabilities, Current	14,357	7,467	-	-	92.3%	-
Total Current Liabilities	**595,448**	**588,980**	**3,409**	**4,568**	**1.1%**	**-25.4%**
Total Liabilities	**598,924**	**594,031**	**3,409**	**4,568**	**0.8%**	**-25.4%**
Total Equity and Liabilities	**943,554**	**937,396**	**392,922**	**402,585**	**0.7%**	**-2.4%**

Detail of Other Components of Equity *:(for reference only)*		
Statutory Reserve	26,833	26,833
Capital Reserve	19,689	19,689
Translation Reserve	(5,192)	(4,615)
	41,330	**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 30/06/2015		As at 31/12/2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	150,000	-	150,000	-
Financial Lease,Current	2,597	-	2,597	-

Amount repayable after one year,

	As at 30/06/2015		As at 31/12/2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Lease, Non-Current	3,476	-	5,051	-

Details of any collateral

As at 30 June 2015, the above bank borrowings of RMB150 million, financial lease current of 2.6 million and financial lease non-current of 3.5 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 30/06/2015	2nd Quarter to 30/06/2014	Change	6 months to 30/06/2015	6 months to 30/06/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit/(Loss) for the Period	(1,192)	2,255	NM	1,842	14,384	-87.2%
Other Comprehensive Income:						
Items That May Be Reclassified Subsequently to Profit or Loss						
Exchange Differences on Translating Foreign Operations	796	385	106.8%	(577)	2,586	NM
Other Comprehensive Income for the Period, Net of Tax	**796**	**385**	106.8%	**(577)**	**2,586**	NM
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(396)**	**2,640**	NM	**1,265**	**16,970**	**-92.5%**
Total Comprehensive Income/(Loss) Attributable to:						
Owners of the Parent	(307)	2,714	NM	1,454	17,139	-91.5%
Non-Controlling Interests	(89)	(74)	20.3%	(189)	(169)	11.8%
	(396)	**2,640**	NM	**1,265**	**16,970**	-92.5%

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 30/06/2015	2nd Quarter to 30/06/2014	6 months to 30/06/2015	6 months to 30/06/2014
	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) Before Tax	(652)	3,304	2,866	16,791
Adjustment for:				
Interest Income	(67)	(26)	(368)	(425)
Interest Expense	2,038	2,402	4,232	4,461
Share of (Gain)/Loss from Associate	476	(883)	767	(765)
Depreciation of Investment Property,Leasehold property,Plant and Equipment	11,001	10,289	22,053	20,414
Amortisation of Other Assets, Non Current	351	350	701	700
Loss on Disposal of Plant and Equipment and Land Use Rights	(62)	275	1,347	380
Foreign Exchange Adjustment (Gain)/Loss	894	366	(567)	1,464
Gain on Disposal of investment in subsidiary	-	-	-	(1,358)
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	(161)	(30)	36	(102)
Operating Cash Flows Before Changes in Working Capital	13,818	16,047	31,067	41,560
Inventories	30,385	(19,360)	13,243	(20,407)
Trade and Other Receivables, Current	10,054	6,476	(15,328)	(26,524)
Other Assets, Current	22,243	(27,074)	32,527	(17,943)
Trade and Other Payables, Current	(31,140)	12,017	(422)	70,441
Other Liabilities, Current	6,886	4,549	6,890	640
Net Cash Flows From Operations Before Tax	52,246	(7,345)	67,977	47,767
Income Tax Paid	(496)	(563)	(2,552)	(563)
Net Cash Flows From/(Used in) Operating Activities	**51,750**	**(7,908)**	**65,425**	**47,204**
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of Pland and Equipment and Land Use Right	113	36	820	58
Purchase of Property, Plant and Equipment and Land Use Right	(4,113)	(19,381)	(12,332)	(30,024)
Disposal of Subsidiaries (Net of Cash Disposed)	-	-	3,000	-
Interest Received	67	26	368	425
Net Cash Flows Used In Investing Activities	**(3,933)**	**(19,319)**	**(8,144)**	**(29,541)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in Short-Term Borrowing	20,000	19,600	-	19,600
Decrease in Finance Lease, Non-current	(770)	(770)	(1,575)	(1,505)
Cash Restricted in Use Over 3 Months	(1,960)	(7,530)	1,440	(8,990)
Interest Paid	(2,038)	(2,402)	(4,232)	(4,461)
Net Cash Flows From/(Used in) Financing Activities	**15,232**	**8,898**	**(4,367)**	**4,644**
Net Increase/(Decrease) in Cash and Cash Equivalents	63,049	(18,329)	52,914	22,307
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	76,418	129,659	86,662	88,873
Effects of Foreign Exchange Rate Adjustments	63	49	(46)	199
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	**139,530**	**111,379**	**139,530**	**111,379**
Restricted	10,170	13,460	10,170	13,460
Non-restricted	139,530	111,379	139,530	111,379

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
2nd Quarter ended 30 June 2015	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 April 2015	**345,026**	**345,809**	**401,392**	**(96,117)**	**40,534**	**(783)**
Movement in Equity:						
Total Comprehensive Income for the Period	(396)	(307)	-	(1,103)	796	(89)
Closing Balance at 30 June 2015	**344,630**	**345,502**	**401,392**	**(97,220)**	**41,330**	**(872)**

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controling Interest
2nd Quarter ended 30 June 2014	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	**340,255**	**340,857**	**401,392**	**(106,537)**	**46,002**	**(602)**

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
2nd Quarter ended 30 June 2015	RMB'000	RMB'000	RMB'000	RMB'000
Opening Balance at 1 April 2015	**381,703**	**401,392**	**249**	**(19,938)**
Movement in Equity:				
Total Comprehensive Income for the Period	7,810	-	(1,137)	8,947
Closing Balance at 30 June 2015	**389,513**	**401,392**	**(888)**	**(10,991)**

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
2nd Quarter ended 30 June 2014	RMB'000	RMB'000	RMB'000	RMB'000
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	**421,865**	**401,392**	**4,064**	**16,409**

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controling Interest
6 Months ended 30 June 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	1,265	1,454	-	2,031	(577)	(189)
Closing Balance at 30 June 2015	**344,630**	**345,502**	**401,392**	**(97,220)**	**41,330**	**(872)**

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controling Interest
6 Months ended 30 June 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	16,970	17,139	-	14,553	2,586	(169)
Closing Balance at 30 June 2014	**340,255**	**340,857**	**401,392**	**(106,537)**	**46,002**	**(602)**

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
6 Months ended 30 June 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	(8,504)	-	(1,946)	(6,558)
Closing Balance at 30 June 2015	**389,513**	**401,392**	**(888)**	**(10,991)**

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
6 Months ended 30 June 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	14,552	-	(1,902)	16,454
Closing Balance at 30 June 2014	**421,865**	**401,392**	**4,064**	**16,409**

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 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 30/06/2015	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			
	2nd Quarter to 30/06/2015	2nd Quarter to 30/06/2014	6 months to 30/06/2015	6 months to 30/06/2014
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)	(0.25)	0.53	0.46	3.31
(ii) Based on Fully Diluted Basis (RMBcents)	(0.25)	0.53	0.46	3.31
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 30/06/2015	As at 31/12/2014	As at 30/06/2015	As at 31/12/2014
Net Asset Value Per Share (RMBcents)	78.59	78.26	88.60	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 revenue decreased by 7.2% from RMB 440 million for the 2nd quarter ended 30 June 2014 ("Q2 2014") to RMB 408.1 million for the 2nd quarter ended 30 June 2015 ("Q2 2015"). Sales of finished goods for Q2 2015 were RMB 402.6 million, posting a decrease of RMB 31.2 million or 7.2% over the corresponding period last year. Sales of materials for Q2 2015 were RMB 5.5 million, decreased by 9.8%, or RMB 0.6 million from Q2 2014.

The sales of liquid milk posted a decrease of RMB 35.4 million or 10.2% from RMB 346.2 million for Q2 2014 to RMB 310.8 million for Q2 2015 due to competition. However the sales of milk powder increased by 4.7% from RMB 87.7 million for Q2 2014 to RMB 91.8 million for Q2 2015 due to increase in sales volume.

Gross Profit

Gross profit of the Group increased by 1.5%, or RMB 2 million from RMB 133.3 million for Q2 2014 to RMB 135.3 million for Q2 2015. Gross profit margin in Q2 2015 increased 2.6% compared to Q2 2014.

The gross profit margin of liquid milk segment increased by 3.2 percentage point from 27.7% for Q2 2014 to 30.9% for Q2 2015 due to decrease in material price, the milk powder segment's gross profit margin decreased slightly by 0.3 percentage point from 43.1% for Q2 2014 to 42.8% for Q2 2015 due to change in products mix.

Interest Income

Interest income decreased by 30.2% due to average interest rate decreased compared to the corresponding period.

Other Credit

Other credit decreased by 59.7% mainly due to decrease in other income in Q2 2015.

Finance Costs

Finance costs decreased by 15.2% in Q2 2015 compared to the same period last year. This was mainly due to decrease in interest expenses resulted from lower interest rate enjoyed by the Group compared with the same period in 2014.

Other Charges

Other charges decreased by 12.8% mainly because the effect of absence of loss on disposal of PPE and land use right and other expenses, it was more than the effect of increase in foreign exchange adjustments loss in Q2 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 Q2 2015.

Profit/Loss Before Tax

As a result of the above, loss before tax was RMB 0.7 million in Q2 2015, as compared to profit before tax of RMB 3.3 million in Q2 2014.

Profit/Loss , Net of Tax

Loss after income tax was RMB 1.2 million for Q2 2015, as compared to profit after tax of RMB 2.3 million for Q2 2014.

(b) STATEMENTS OF FINANCIAL POSITION

The increase in trade and other receivables of 14%, or RMB 16.9 million, were due to changes in customer mix.

Other assets-current decreased by 51.5%, or RMB 32.5 million as prepayments to suppliers decreased.

Cash and cash equivalents increased by 52.3% or RMB 51.4 million due to less cash tied in inventory prepayment and purchase of fixed asset, and more cash from advance received from customers.

Finance lease liabilities decreased by 31.2% or RMB 1.6 million due to payment of finance lease liabilities in current period.

Other liabilities-current increased by 92.3% or RMB 6.9 million as advances from customers increased.

Negative working capital was 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 51.8 million for Q2 2015 mainly because the Group generated cash profit in the quarter and less working capital employed.

Net cash used in investing activities was RMB 3.9 million for Q2 2015 mainly because of addition in PPE.

Net cash from financing activities was RMB 15.2 million for Q2 2015 mainly due to 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 6 months ended 30 June 2015 is consistent with its prospect statement as announced on 14 May 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 30 June 2015 to be false or misleading.

BY ORDER OF THE BOARD

Liu Huaguo
Director
Date: 12/08/2015

Kong Jing
Director
Date: 12/08/2015