

CHINA DAIRY GROUP LTD

Registration No. 199703080Z

RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 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

	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	Change	9 months to 30/09/2015	9 months to 30/09/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	443,878	467,235	-5.0%	1,265,679	1,397,179	-9.4%
Cost of Sales	(295,318)	(316,254)	-6.6%	(837,327)	(961,428)	-12.9%
Gross Profit	148,560	150,981	-1.6%	428,352	435,751	-1.7%
Other Items of Income						
Interest Income	155	58	167.2%	523	553	-5.4%
Other Credit	1,350	2,040	-33.8%	4,074	4,086	-0.3%
Other Items of Expenses						
Marketing and Distribution Costs	(121,730)	(111,992)	8.7%	(347,863)	(331,523)	4.9%
Administrative Expenses	(23,228)	(21,655)	7.3%	(69,376)	(63,634)	9.0%
Finance Costs	(2,227)	(2,970)	-25.0%	(6,459)	(7,431)	-13.1%
Other Charges	(929)	(830)	11.9%	(3,667)	(6,144)	-40.3%
Share of Profit/(Loss) from Associate	(3)	66	NM	(770)	831	NM
Profit Before Tax	1,948	15,698	-87.6%	4,814	32,489	-85.2%
Income Tax Expenses	(628)	(4,747)	-86.8%	(1,652)	(7,154)	-76.9%
Profit FOR THE PERIOD	1,320	10,951	-87.9%	3,162	25,335	-87.5%
Profit / (Loss) Attributable to:						
Owners of the Parent	1,402	11,042	-87.3%	3,433	25,595	-86.6%
Non-Controlling Interests	(82)	(91)	-9.9%	(271)	(260)	4.2%
	1,320	10,951	-87.9%	3,162	25,335	-87.5%
Earnings Per Share (in currency units):						
Basic and Diluted (cents)	0.32	2.51	-87.3%	0.78	5.82	-86.6%

NM-Not meaningful

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

(A) Revenue

	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	Change	9 months to 30/09/2015	9 months to 30/09/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Sale of Finished Goods	443,376	462,869	-4.2%	1,263,526	1,370,391	-7.8%
Sale of Materials	502	4,366	-88.5%	2,153	26,788	-92.0%
	<u>443,878</u>	<u>467,235</u>	<u>-5.0%</u>	<u>1,265,679</u>	<u>1,397,179</u>	<u>-9.4%</u>

(B) Other Credits

	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	Change	9 months to 30/09/2015	9 months to 30/09/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Other income	-	96	NM	2,152	565	280.9%
Foreign exchange adjustments gain	1,064	1,085	NM	1,631	-	NM
Rental income	286	292	-2.1%	291	292	-0.3%
Gain on disposal of investment in subsidiary	-	-	-	-	1,358	NM
Government grant & Tax Rebate	-	567	NM	-	1,859	NM
Allowance for impairment on other receivables-reversal	-	-	-	-	12	NM
	<u>1,350</u>	<u>2,040</u>	<u>-33.8%</u>	<u>4,074</u>	<u>4,086</u>	<u>-0.3%</u>

(C) Other Charges

	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	Change	9 months to 30/09/2015	9 months to 30/09/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Loss on disposal of PPE and land use right	10	92	-89.1%	1,357	472	187.5%
Inventories written off	595	404	47.3%	1,155	4,118	-72.0%
Depreciation and direct operating expenses of investment property	323	331	-2.4%	948	909	4.3%
Other expenses	1	3	-66.7%	207	266	-22.2%
Foreign exchange adjustments loss	-	-	-	-	379	NM
	<u>929</u>	<u>830</u>	<u>11.9%</u>	<u>3,667</u>	<u>6,144</u>	<u>-40.3%</u>

NM-Not meaningful

PPE-property, plant and equipment

(D) Finance Costs

	3rd Quarter to 30/09/2015 RMB'000	3rd Quarter to 30/09/2014 RMB'000	Change %	9 months to 30/09/2015 RMB'000	9 months to 30/09/2014 RMB'000	Change %
Interest Expense	2,227	2,970	-25.0%	6,459	7,431	-13.1%

(E) Depreciation and Amortisation

	3rd Quarter to 30/09/2015 RMB'000	3rd Quarter to 30/09/2014 RMB'000	Change %	9 months to 30/09/2015 RMB'000	9 months to 30/09/2014 RMB'000	Change %
Depreciation of Investment Property and PPE	10,817	10,546	2.6%	32,870	30,960	6.2%
Amortisation of Other Assets, Non current	350	351	-0.3%	1,051	1,051	0.0%
	11,167	10,897	2.5%	33,921	32,011	6.0%

(F) Income Tax

	3rd Quarter to 30/09/2015 RMB'000	3rd Quarter to 30/09/2014 RMB'000	Change %	9 months to 30/09/2015 RMB'000	9 months to 30/09/2014 RMB'000	Change %
Current Tax Expense	628	4,747	-86.8%	1,652	7,154	-76.9%
	628	4,747	-86.8%	1,652	7,154	-76.9%

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 30/09/2015					
	Group		Company		Group	Company
	As at 30/09/2015	As at 31/12/2014	As at 30/09/2015	As at 31/12/2014	Change	Change
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	342,075	360,595	7	12	-5.1%	-44.6%
Investment Property	2,989	3,257	-	-	-8.2%	-
Investments in Subsidiaries	-	-	366,992	385,565	-	-4.8%
Investment in Associate	31,069	31,839	-	-	-2.4%	-
Deferred Tax Assets	11,548	11,548	-	-	0.0%	-
Other Assets, Non-Current	43,323	44,374	-	-	-2.4%	-
Total Non-Current Assets	431,004	451,613	366,999	385,577	-4.6%	-4.8%
Current Assets						
Inventories	168,883	201,081	-	-	-16.0%	-
Trade and Other Receivables, Current	130,219	120,213	9,206	14,340	8.3%	-35.8%
Other Financial Assets, Current	-	3,000	-	-	NM	-
Other Assets, Current	48,034	63,217	102	49	-24.0%	108.1%
Cash and Cash Equivalents	171,970	98,272	2,774	2,619	75.0%	5.9%
Total Current Assets	519,106	485,783	12,082	17,008	6.9%	-29.0%
Total Assets	950,110	937,396	379,081	402,585	1.4%	-5.8%
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)	(95,818)	(99,251)	(1,751)	1,058	-3.5%	NM
Other Reserves	40,251	41,907	(23,541)	(4,433)	-4.0%	431.0%
Equity, Attributable to Equity Holders of the Parent	345,825	344,048	376,100	398,017	0.5%	-5.5%
Non-Controlling Interests	(954)	(683)	-	-	39.7%	-
Total Equity	344,871	343,365	376,100	398,017	0.4%	-5.5%
Non-Current Liabilities						
Finance Lease, Non-Current	1,246	5,051	-	-	-75.3%	-
Total Non-Current Liabilities	1,246	5,051	-	-	-75.3%	-
Current Liabilities						
Trade and Other Payables, Current	436,095	428,916	2,981	4,568	1.7%	-34.7%
Finance Lease, Current	3,367	2,597	-	-	29.6%	-
Other Financial Liabilities, Current	150,000	150,000	-	-	0.0%	-
Other Liabilities, Current	14,531	7,467	-	-	94.6%	-
Total Current Liabilities	603,993	588,980	2,981	4,568	2.5%	-34.7%
Total Liabilities	605,239	594,031	2,981	4,568	1.9%	-34.7%
Total Equity and Liabilities	950,110	937,396	379,081	402,585	1.4%	-5.8%
Detail of Other Components of Equity (for reference only)						
Statutory Reserve	26,833	26,833				
Capital Reserve	19,689	19,689				
Translation Reserve	(6,271)	(4,615)				
	40,251	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 30/09/2015		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	3,367	-	2,597	-

Amount repayable after one year,

	As at 30/09/2015		As at 31/12/2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Lease, Non-Current	1,246	-	5,051	-

Details of any collateral

As at 30 September 2015, the above bank borrowings of RMB150 million, financial lease current of 3.4 million and financial lease non-current of 1.2 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

	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	Change	9 months to 30/09/2015	9 months to 30/09/2014	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit for the Period	1,320	10,951	-87.9%	3,162	25,335	-87.5%
Other Comprehensive Income:						
Items That May Be Reclassified Subsequently to Profit or Loss						
Exchange Differences on Translating Foreign Operations	(1,079)	(1,173)	-8.0%	(1,656)	1,413	NM
Other Comprehensive Income for the Period, Net of Tax	(1,079)	(1,173)	-8.0%	(1,656)	1,413	NM
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	241	9,778	-97.5%	1,506	26,748	-94.4%
Total Comprehensive Income/(Loss) Attributable to:						
Owners of the Parent	323	9,869	-96.7%	1,777	27,008	-93.4%
Non-Controlling Interests	(82)	(91)	-9.9%	(271)	(260)	4.2%
	241	9,778	-97.5%	1,506	26,748	-94.4%

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

	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	9 months to 30/09/2015	9 months to 30/09/2014
	RMB'000	RMB'000	RMB'000	RMB'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Profit Before Tax	1,948	15,698	4,814	32,489
Adjustment for:				
Interest Income	(155)	(128)	(523)	(553)
Interest Expense	2,227	2,970	6,459	7,431
Share of (Gain)/Loss from Associate	3	(66)	770	(831)
Depreciation of Investment Property, Leasehold property, Plant and Equipment	10,817	10,546	32,870	30,960
Amortisation of Other Assets, Non Current	350	351	1,051	1,051
Loss on Disposal of Plant and Equipment and Land Use Rights	10	92	1,357	472
Foreign Exchange Adjustment (Gain)/Loss	(1,064)	(1,085)	(1,631)	379
Gain on Disposal of investment in subsidiary	-	-	-	(1,358)
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	74	73	110	(30)
Operating Cash Flows Before Changes in Working Capital	14,210	28,451	45,277	70,010
Inventories	18,955	5,961	32,198	(14,446)
Trade and Other Receivables, Current	6,436	13,645	(8,892)	(12,879)
Other Assets, Current	(17,344)	14,539	15,183	(3,404)
Trade and Other Payables, Current	7,601	(39,754)	7,179	30,687
Other Liabilities, Current	174	(1,221)	7,064	(581)
Net Cash Flows From Operations Before Tax	30,032	21,621	98,009	69,387
Income Tax Paid	1,989	(1)	(563)	(563)
Net Cash Flows From Operating Activities	32,021	21,620	97,446	68,824
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Disposal of Plant and Equipment and Land Use Right	68	(31)	888	27
Purchase of Property, Plant and Equipment and Land Use Right	(3,995)	(17,315)	(16,327)	(47,339)
Disposal of Subsidiaries (Net of Cash Disposed)	-	1,500	3,000	1,500
Increase in Investment in Associate	-	(8,100)	-	(8,100)
Interest Received	155	128	523	553
Net Cash Flows Used In Investing Activities	(3,772)	(23,818)	(11,916)	(53,359)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Increase in Short-Term Borrowing	-	-	-	19,600
Decrease in Finance Lease, Non-current	(1,460)	(260)	(3,035)	(1,765)
Cash Restricted in Use Over 3 Months	7,410	1,850	8,850	(7,140)
Interest Paid	(2,227)	(2,970)	(6,459)	(7,431)
Net Cash Flows From/(Used in) Financing Activities	3,723	(1,380)	(644)	3,264
Net Increase/(Decrease) in Cash and Cash Equivalents	29,769	(3,578)	82,683	18,729
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	139,530	111,379	86,662	88,873
Effects of Foreign Exchange Rate Adjustments	(89)	(158)	(135)	41
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance	169,210	107,643	169,210	107,643
Restricted	2,760	11,610	2,760	11,610
Non-restricted	169,210	107,643	169,210	107,643

PPE-property, plant and equipment

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

STATEMENT OF CHANGES IN EQUITY

	Group					
	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves	Non Controlling Interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
3rd Quarter ended 30 September 2015						
Opening Balance at 1 July 2015	344,630	345,502	401,392	(97,220)	41,330	(872)
Movement in Equity:						
Total Comprehensive Income for the Period	241	323	-	1,402	(1,079)	(82)
Closing Balance at 30 September 2015	344,871	345,825	401,392	(95,818)	40,251	(954)

	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
3rd Quarter ended 30 September 2014						
Opening Balance at 1 July 2014	340,255	340,857	401,392	(106,537)	46,002	(602)
Movement in Equity:						
Total Comprehensive Income for the Period	9,778	9,869	-	11,042	(1,173)	(91)
Closing Balance at 30 September 2014	350,033	350,726	401,392	(95,495)	44,829	(693)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
3rd Quarter ended 30 September 2015				
Opening Balance at 1 July 2015	389,513	401,392	(888)	(10,991)
Movement in Equity:				
Total Comprehensive Income for the Period	(13,413)	-	(863)	(12,550)
Closing Balance at 30 September 2015	376,100	401,392	(1,751)	(23,541)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
3rd Quarter ended 30 September 2014				
Opening Balance at 1 July 2014	421,865	401,392	4,064	16,409
Movement in Equity:				
Total Comprehensive Income for the Period	(14,315)	-	(1,302)	(13,013)
Closing Balance at 30 September 2014	407,550	401,392	2,762	3,396

	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
9 Months ended 30 September 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	1,506	1,777	-	3,433	(1,656)	(271)
Closing Balance at 30 September 2015	344,871	345,825	401,392	(95,818)	40,251	(954)

	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
9 Months ended 30 September 2014						
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	26,748	27,008	-	25,595	1,413	(260)
Closing Balance at 30 September 2014	350,033	350,726	401,392	(95,495)	44,829	(693)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
9 Months ended 30 September 2015				
Opening Balance at 1 January 2015	398,017	401,392	1,058	(4,433)
Movement in Equity:				
Total Comprehensive Income for the Period	(21,917)	-	(2,809)	(19,108)
Closing Balance at 30 September 2015	376,100	401,392	(1,751)	(23,541)

	Company			
	Total Equity	Share Capital	Retained Earnings/ (Accumulated Losses)	Other Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
9 Months ended 30 September 2014				
Opening Balance at 1 January 2014	407,313	401,392	5,966	(45)
Movement in Equity:				
Total Comprehensive Income for the Period	237	-	(3,204)	3,441
Closing Balance at 30 September 2014	407,550	401,392	2,762	3,396

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 September 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 30/09/2015	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	<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 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			
	3rd Quarter to 30/09/2015	3rd Quarter to 30/09/2014	9 months to 30/09/2015	9 months to 30/09/2014
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)	0.32	2.51	0.78	5.82
(ii) Based on Fully Diluted Basis (RMBcents)	0.32	2.51	0.78	5.82
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 30/09/2015	As at 31/12/2014	As at 30/09/2015	As at 31/12/2014
Net Asset Value Per Share (RMBcents)	78.66	78.26	85.55	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 5% from RMB 467.2 million for the 3rd quarter ended 30 September 2014 ("Q3 2014") to RMB 443.9 million for the 3rd quarter ended 30 September 2015 ("Q3 2015"). Sales of finished goods for Q3 2015 were RMB 443.4 million, posting a decrease of RMB 19.5 million or 4.2% over the corresponding period last year. Sales of materials for Q3 2015 were RMB 0.5 million, decreased by 88.5%, or RMB 3.9 million from Q3 2014.

Due to competition, the sales of liquid milk posted a slightly decrease of RMB 2.6 million or 0.7 % from RMB 351.5 million for Q3 2014 to RMB 348.9 million for Q3 2015 and the sales of milk powder decreased by 15.2 % from RMB 111.4 million for Q3 2014 to RMB 94.5 million for Q3 2015.

Gross Profit

Gross profit of the Group decreased by 1.6%, or RMB 2.4 million from RMB 151 million for Q3 2014 to RMB 148.6 million for Q3 2015. Gross profit margin in Q3 2015 increased by 1.2 percentage point compared to Q3 2014.

Due to decrease in material price, the gross profit margin of liquid milk segment increased by 1.1 percentage point from 30.8% for Q3 2014 to 31.9% for Q3 2015 and the milk powder segment's gross profit margin increased by 0.9 percentage point from 38.9% for Q3 2014 to 39.8% for Q3 2015.

Interest Income

Interest income increased by 167.2% due to increase in average cash balance during Q3 2015 compared to the corresponding period.

Other Credit

Other credit decreased by 33.8% mainly due to absence in other income and government grant & tax rebate in Q3 2015.

Finance Costs

Finance costs decreased by 25% in Q3 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 increased by 11.9% in Q3 2015 mainly due to increase in inventories written off.

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 Q3 2015.

Profit/Loss Before Tax

As a result of the above, profit before tax was RMB 1.9 million in Q3 2015, as compared to profit before tax of RMB 15.7 million in Q3 2014.

Profit/Loss, Net of Tax

Profit after income tax was RMB 1.3 million for Q3 2015, as compared to profit after tax of RMB 11 million for Q3 2014.

(b) STATEMENTS OF FINANCIAL POSITION

The decrease in inventories of 16%, or RMB 32.2 million, was due to less purchase during the period.

Other assets-current decreased by 24%, or RMB 15.2 million as prepayments to suppliers decreased.

Cash and cash equivalents increased by 75% or RMB 73.7 million due to less cash tied in inventory and prepayment, and more cash from advance received from customers.

Finance lease, Non-Current liabilities decreased by 75.3% or RMB 3.8 million due to payment of finance lease liabilities in current period.

Other liabilities-current increased by 94.6% or RMB 7.1 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 32 million for Q3 2015 mainly because the Group generated cash profit in the quarter and less working capital employed.

Net cash used in investing activities was RMB 3.8 million for Q3 2015 mainly because of addition in PPE.

Net cash from financing activities was RMB 3.7 million for Q3 2015 mainly due to 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 9 months ended 30 September 2015 is consistent with its prospect statement as announced on 12 August 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 September 2015 to be false or misleading.

BY ORDER OF THE BOARD

Liu Huaguo
Director
Date: 13/11/2015

Kong Jing
Director
Date: 13/11/2015