DAQING DAIRY HOLDINGS LIMITED
大 慶 乳 業 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS

The board (the "Board") of directors (the "Director(s)") of Daqing Dairy Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company for the six months ended 30 June 2012 as follows:

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue	3	—	618,897
Cost of sales		—	(275,861)
Gross profit		—	343,036
Other gains and losses		—	2,394
Selling and distribution expenses		—	(110,752)
Administrative expenses		**(8,134)**	(29,289)
Finance costs		—	(2,685)
Other suspense account	4	**(3,396)**	—
(Loss)/profit before taxation	5	**(11,530)**	202,704
Income tax expenses	6	—	(60,134)
(LOSS)/PROFIT FOR THE PERIOD		**(11,530)**	142,570
Other comprehensive income for the period, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating to presentation currency		**(4)**	—
Other comprehensive loss for the period, net of income tax		**(4)**	—
Total comprehensive (loss)/income for the period		**(11,534)**	142,570
(Loss)/profit for the period attributable to owners of the Company		**(11,530)**	142,570
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(11,534)**	142,570
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		**RMB(0.011)**	RMB0.141

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**—**	—
Prepaid lease payments		**—**	—
Intangible assets		**—**	—
Deferred tax assets		**—**	—
		—	—
Current assets			
Inventories		**—**	—
Trade and other receivables		**—**	—
Prepaid lease payments		**—**	—
Bank balances and cash	9	**3,439**	3
		3,439	3
Current liabilities			
Accrued expenses and other payables	10	**12,304**	5,225
		12,304	5,225
Net current liabilities		**(8,865)**	(5,222)
Total assets less current liabilities		**(8,865)**	(5,222)
Capital and reserves			
Share capital		**9**	9
Reserves		**(8,874)**	(5,231)
		(8,865)	(5,222)
Non-current liabilities			
Deferred tax liabilities		**—**	—
Borrowings		**—**	—
		—	—
		(8,865)	(5,222)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands on 15 October 2009.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 2512, 25/F., Cosco Tower, 183 Queen's Road Central, Hong Kong.

The condensed financial statements of the Company are presented in Renminbi ("RMB").

The Company acts as an investment holding company.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 October 2010 (the "Listing"). Trading in the shares of the Company has been suspended since 22 March 2012.

2.1 BASIS OF PREPARATION

The interim condensed financial statements as at and for the six months ended 30 June 2012 comprise the Company.

The interim condensed financial statement for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Boards ("IASB"). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2011.

As disclosed in the Company's announcement dated 29 March 2012, during the audit process in respect of the financial year ended 31 December 2011, irregularities were identified by Deloitte Touche Tohmatsu, the predecessor auditors of the Company (the "Predecessor Auditors") that (i) certain milk procurement transactions brought to the attention of management and acknowledged by them to be fraudulent; (ii) unexplained differences between sales receipt notes sighted during the Predecessor Auditors' works in February 2012 and documents purporting to be the same sales receipt notes returned to the Company in March 2012 ostensibly following a Tax Bureau investigation; (iii) the explanation provided by management — The Tax Bureau investigation — for removing accounting records which were then not available to the Predecessor Auditors continuously during the audit; (iv) the validity and commercial substance of acquisitions of milk stations, farm houses and Holstein cattle; and (v) difficulties the Predecessor Auditors encountered during their visits to the local branch of one of the banks of the Company and its subsidiaries (the "Group") (collectively referred as to the "Potential Irregularities"). The Predecessor Auditors tendered its resignation as auditors of the Company with effect from 21 March 2012 and the Company applied for suspension of trading in the shares on the Main Board of the Stock Exchange on 22 March 2012.

It was further disclosed in the Company's announcement dated 29 March 2012 that an independent review committee comprised of the independent non-executive directors at that material time and other qualified independent individuals has been established to conduct a review on the Potential Irregularities raised by the Predecessor Auditors.

As disclosed in the Company's announcements dated 18 May 2012 and 20 June 2012, during May and June 2012, those independent non-executive directors at that material time forming the independent review committee tendered their resignation as the independent non-executive directors of the Company.

As disclosed in the Company's announcement dated 9 January 2013, on 2 January 2013, it was discovered that the heating pipes of the offices of a subsidiary, Da Qing Dairy Ltd. (大慶乳品廠有限責任公司) ("Da Qing Dairy"), located in Daqing City, Heilongjiang Province of the People's Republic of China ("PRC"), were cracked as result of severe coldness in the northern area of the PRC and pipeline aging. Due to cracking of the heating pipes, the first and the second floors of the offices had been soaked, and extensive damages were caused to the office facilities, computers and documents in the office of finance, logistics, administration and engineering departments of the Group (collectively referred to as the "Incident").

As disclosed in the Company's announcement dated 8 February 2013 and 18 April 2013, Mr. Zhao Yu ("Mr. Zhao"), then controlling shareholder of the Company at that material time, entered into a sale and purchase agreement pursuant to which Mr. Zhao agreed to sell and Radiant State Limited (the "New Controlling Shareholder") agreed to purchase the sale shares, representing 52.16% of the entire share capital of the Company at a consideration of HK$52,704,000 in cash, representing HK$0.1 per sale share (collectively referred to as the "Purchase").

As disclosed in the Company's announcement dated 5 July 2013, the New Controlling Shareholders received valid acceptances in respect of a total 83,153,622 shares in the Company under the unconditional mandatory cash offer (the "Share Acceptance"), representing 8.23% of the entire issued share capital of the Company. Following completion of the Purchase and the Share Acceptance, the New Controlling Shareholder held 60.39% equity interest in the Company.

As disclosed in the Company announcement dated 5 September 2013, Mr. Ng Kwong Chue Paul was appointed as executive director of the Company, Ms. Kou Mei In was appointed as non-executive director of the Company and Mr. Sze Lin Tang was appointed as an independent non-executive director of the Company (the "New Management").

As disclosed in the Company's announcement dated 6 November 2013, the Company engaged RSM Corporate Advisory (Hong Kong) Limited (formerly known as "RSM Nelson Wheeler Corporate Advisory Limited") (the "Forensic Accountants") to carry out forensic investigation in respect of the Potential Irregularities (the "Forensic Investigation"). It was further disclosed in the Company's announcements dated 29 January 2014, 4 April 2014, 13 June 2014, 5 September 2014, 28 November 2014 and 30 April 2015 that (1) the Forensic Accountants were yet to commence their field work as the Company and the Forensic Accountants have encountered difficulties in procuring relevant parties including the previous management of the Group to cooperate in the field work of the Forensic Investigation; (2) two PRC law firms were engaged with the objectives to (i) effect the change of legal representatives and board of directors of Da Qing Dairy, Heilongjiang Chang Qing Dairy Products Co., Ltd. (黑龍江常慶乳業有限責任公司) ("Chang Qing Dairy") and Wuchang Benniu Muye Co., Ltd (五常犇牛牧業有限責任公司) ("Benniu Muye") (collectively referred as to the "PRC Subsidiaries") through legal means; and (ii) obtain information requested by the Forensic Accountants; and (3) the contemplate change of respective legal representatives of the PRC Subsidiaries could not be effected and due to insufficient financial resources of the Company, the Forensic Investigation has been temporarily halted.

In addition, the New Controlling Shareholder appointed two individuals into the board of directors of its wholly-owned subsidiary, Global Milk Products Pte. Ltd, which is incorporated in the Republic of Singapore ("Global Milk"). However, the directors of the Company could not locate the complete books and records of the Company and Global Milk and the previous managements of the Company and Global Milk have continued no responding to the request for any information. Subsequently in the shareholders meeting of Global Milk held on 3 December 2015, the Company resolved to put Global Milk into winding up, subject to further advice from legal advisers.

Given the circumstances that the directors of the Company have been unable to locate complete books and records of the Company and Global Milk and to get access to the books and records of the PRC Subsidiaries and in the absence of the Group's previous management to explain and validate the true state of the affairs of the Company at 31 December 2011 and 30 June 2012, it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of 31 December 2011 and 30 June 2012 for the Company or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the period and various balances of the Company, Global Milk and the PRC Subsidiaries as at 31 December 2011 and 30 June 2012. In the Company's board of directors (the "Board")' opinion, any reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the Group's previous management or those responsible for the financial information which the Predecessor Auditors identified the Potential Irregularities within and outside of the Group.

As of the date of the interim condensed financial statements of the Company, the directors of the Company have used its best effort, to the extent commercially practicable, to reconstruct the accounting records of the Company, Global Milk and the PRC Subsidiaries for the year ended 31 December 2011 and for the six months ended 30 June 2012, applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. However, given substantial portion of the books and records could not be located or accessed and the previous management of the Group did not response to the New Management's request, the Board believes that as at the date of approval of the interim condensed financial statements, it is impossible and impracticable for the directors of the Company to ascertain the transactions and balances of the Company, Global Milk and the PRC Subsidiaries for inclusion in the interim condensed financial statements of the Company. Also, due to substantial portion of the books and records of the Group could not either be located or accessed, the Board believes that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group for previous years. Accordingly, the comparative financial information disclosed in the interim condensed financial statements only represents such information as reported in the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 and the financial statements of the Company for the year ended 31 December 2011 and therefore may not be comparable with the figures for the current period.

Given these circumstances, the Board has not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no consolidated financial statements of the Company were prepared for the six months ended 30 June 2012 and for the year ended 31 December 2011. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included into the financial statements of the Company since 1 January 2011. The resulting loss on de-consolidation of approximately RMB1,583,093,000, which is determined based on the net asset value of the De-consolidated Subsidiaries as at 1 January 2011 has been recognised in the statement of profit or loss and other comprehensive income during the year ended 31 December 2011 and the resulting movement of approximately RMB55,946,000 has been recorded in the statutory surplus reserve in the statement of changes in equity for the year ended 31 December 2011.

In the opinion of the directors of the Company, the interim condensed financial statements of the Company as at and for the six months ended 30 June 2012 prepared on the aforementioned basis is the most appropriate way of presenting the results and state of affairs of the Company as the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the De-consolidated Subsidiaries. However, the de-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Financial Reporting Standard ("IFRS") 10 "Consolidated Financial Statements". Given the abovementioned circumstances, the directors of the Company are unable to ascertain the impact of the Potential Irregularities with respect to the accounting records and transactions of the De-consolidated Subsidiaries, if any, and the de-consolidation of the De-consolidated Subsidiaries on the interim condensed financial statements.

Due to limited books of accounts and records available to the directors of the Company, the following disclosures have not been made in the interim condensed financial statements:

— Details of the credit policy and aging of debtors and creditors as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules");

— Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and IFRSs;

— Details of allowance account for credit losses, financial risk management and fair value disclosure as required by IFRS 7, "Financial Instruments — Disclosures"; and

— Entity-wide disclosures as required by IFRS 8, "Operating Segments".

Any adjustments arising from the matters described above would have a consequential significant effect on the net loss of the Company for the six months ended 30 June 2012 and net liabilities of the Company as at 30 June 2012.

Due to the limited financial information available and the previous management of the Company did not response to the New Management's request, the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the genuineness and completeness of books and records and the treatment of various balances as included in the interim condensed financial statements for the six months ended 30 June 2012 and have formed the opinion as follows:

As the interim condensed financial statements have been prepared based on the lack of books and records available to the Company, the directors of the Company are unable to represent that all transactions entered into by the Company for the six months ended 30 June 2012 have been properly reflected in the interim condensed financial statements. In this connection, the directors of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of revenue and segment information, finance costs, (loss)/profit before taxation, income tax expenses, dividends, (loss)/earnings per share, property, plant and equipment, trade and other receivables, bank balances and cash, accrued expenses and other payables, share-based payments, related party transactions, commitments and contingent liabilities.

As per assessment by the Board, based on the investigations carried out by the Forensic Accountants and the information available at this stage, all identified, required adjustments have been put through in the financial statements for the six months ended 30 June 2012. Since the investigations may be on-going, any further adjustments and disclosures, if required, would be made in the interim condensed financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified, and would have a consequential effect on the net loss of the Company for the six months ended 30 June 2012 and net liabilities of the Company as at 30 June 2012.

During the six months ended 30 June 2012, the Company incurred loss of approximately RMB11,530,000. In addition, following non-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting other business. It was further disclosed in the Company's announcements dated 19 May 2015 and 23 November 2015 respectively that the Stock Exchange has placed the Company in the first delisting stage on 14 May 2015 and subsequently placed in the second delisting stage on 19 November 2015 pursuant to Practice Note 17 of the Listing Rules. The directors of the Company have also been unable to represent that all present and contingent liabilities of the Company have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant effect on the Company's ability to continue as a going concern.

As disclosed in the Company's announcement dated 23 June 2015, on 4 May 2015, the New Controlling Shareholder entered into a sale and purchase agreement with Global Courage Limited ("Global Courage") pursuant to which the New Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing of approximately 60.39% of the entire share capital of the Company at a consideration of approximately HK$61,019,000, representing HK$0.1 per sale share.

Given the circumstance that there exists potential new shareholder to invest in the Company, the directors of the Company have adopted the going concern basis in the preparation of the interim condensed financial statements.

Should the Company be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the interim condensed financial statements.

2.2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim condensed financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirements of the Listing Rules.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2011, except for the adoption of the revised IFRSs as of 1 January 2012, noted below:

IAS 12 — Deferred Tax: Recovery of Underlying Assets (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The jurisdictions in which the Company operates do not have a different tax charge for sale or consumption of the assets. While the amendment is applicable, it has no impact on the interim condensed financial statement of the Company.

IFRS 7 — Disclosures — Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

IFRS 1 — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE AND SEGMENT INFORMATION

The Company did not conduct business during the period.

As disclosed in note 2.1, the directors of the Company are unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, the directors of the Company believe that it is impossible and impracticable for the directors of the Company to ascertain the completeness, existence and accuracy of the amounts of revenue and segment information of the Company for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the revenue and segment information for the six months ended 30 June 2012 as of the date of approval of the interim condensed financial statements.

4. OTHER SUSPENSE ACCOUNT

As disclosed in notes 2.1 and 9, the directors of the Company have been unable to locate the complete books and records of the Company for the current and the previous periods. The other suspense account represents loss recognised in respect of the aggregate amounts of the credit balances of bank transactions of which the directors of the Company have been unable to locate relevant books and records during the six months ended 30 June 2012. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the disclosures loss recognised as other suspense account for the six months ended 30 June 2012 as of the date of approval of the interim condensed financial statements.

5. (LOSS)/PROFIT BEFORE TAXATION

The Company's (loss)/profit before tax is arrived at after charging the amounts as set out below.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation has been arrived at after charging		
Staff costs (including directors' emoluments):		
— Salaries and wages	**—**	12,411
— Retirement benefit scheme contributions	**—**	918
— Share-based payments	**—**	2,747
	—	16,076

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of those expenses for the six months ended 30 June 2012 as of the date of approval of the interim condensed financial statements.

6. INCOME TAX EXPENSES

The Hong Kong Profits Tax rate was 16.5% (six months ended 30 June 2011: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company did not have any assessable profit arising in Hong Kong for the period.

The income tax expenses can be reconciled to the (loss)/profit before taxation per the condensed statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation	**(11,530)**	202,704
Tax at the statutory tax rates	**(1,902)**	50,676
Effect of expenses that are not deductible for tax purpose	**—**	8,731
Effect of unrecognised deductible losses and deductible temporary differences	**1,902**	727
	—	60,134

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness and accuracy of the income tax expenses for the six months ended 30 June 2012 as of the date of approval of the interim condensed financial statements.

7. DIVIDEND

No dividend has been paid or proposed by the Company during the 30 June 2012 (six months ended 30 June 2011: RMB Nil).

As disclosed in note 2.1, the directors of the Company have been unable to locate the complete books and records of the Company for the current and the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the current and the previous periods. No representation is therefore made by the directors of the Company as to the existence and accuracy of the dividends for the six months ended 30 June 2012 as of the date of approval of the interim condensed financial statements.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/earnings for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(11,530)**	202,704

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/ earnings per share	**1,010,500,000**	1,010,500,000

As disclosed in note 2.1, the directors of the Company have been unable to locate the complete books and records of the Company for the current and the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain amounts for the current and the previous periods. No representation is therefore made by the directors of the Company for the six months ended 30 June 2012 as to the accuracy of the (loss)/earnings per share of the Company as of the date of approval of the interim condensed financial statements.

The calculation of diluted loss per share for the six months ended 30 June 2012 does not assume the conversion of the Company's outstanding share option since their conversion would result in a decrease in the loss per share for the period.

The calculation of diluted earnings per share for the six months ended 30 June 2011 does not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the six months ended 30 June 2011.

9. BANK BALANCES AND CASH

As disclosed in note 32 of the Group's consolidated financial statements for the year ended 31 December 2010 (the "2010 Financial Statements"), a bank balances and cash amounted to approximately RMB11,523,000 was recorded on the statement of financial position of the Company at 31 December 2010. Except for bank balances of approximately RMB3,000, the directors of the Company have been unable to locate the bank accounts. The Company engaged the Forensic Accountants have conduct investigations, including (i) send letters to the Predecessor Auditors to request them provide the relevant bank information; and (ii) send letters to banks in Hong Kong (including licensed banks, restricted licensed banks and deposit-taking companies) (collectively referred as to the "Banks") to make enquiry on whether the Company maintained any bank accounts in the Banks. However, as of the date of approval of the interim condensed financial statements, the Predecessor Auditors only replied that the relevant information was not available as it was located in their PRC office. In addition, no Banks have indicated the existence of any bank accounts of the Company up to the date of approval of the financial statements. Given these circumstances, the directors of the Company recognised a loss approximately RMB11,520,000 as other suspense accounts in the statements of profit or loss and other comprehensive income for the year ended 31 December 2011

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to books and records of the Company, including books and records of certain bank transactions of the Company took place for the six months ended 30 June 2012. Given incomplete books and records of the Company and the Company's previous management did not response to the request for information, it would be impossible and impracticable to ascertain these bank transactions which took place for the six months ended 30 June 2012. Given these circumstances, the directors of the Company have recognised i) losses of approximately RMB3,396,000 in respect of the aggregate amounts of the credit balances of bank transactions took place during the six months ended 30 June 2012 as other suspense accounts in the condensed statements of profit or loss and other comprehensive income for the six months ended 30 June 2012; and (ii) liabilities of approximately HK$8,406,000 (equivalent to approximately RMB6,832,000) in respect of the aggregate amounts of the debit balances of bank transactions took place during the six months ended 30 June 2012 as accrued expenses and other payables in the condensed statements of financial position as at 30 June 2012. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the bank balances and cash, and underlying cash transactions for the six months ended 30 June 2012 as of the date of approval of the interim condensed financial statements.

10. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 30 June 2012 *RMB'000* **(Unaudited)**	As at 31 December 2011 *RMB'000* (Audited)
Accrued expenses	**1,071**	828
Amount due to a subsidiary	**810**	810
Other payables	**10,423**	3,587
	12,304	5,225

As disclosed in note 2.1 and 10, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries. In addition, the directors of the Company have been unable to locate books and records of certain bank transactions took place for the six months ended 30 June 2012. Given the incomplete books and records and the previous management of the Group did not response to request for information, it would be impossible and impracticable to ascertain these bank transactions took place for the six months ended 30 June 2012 and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of these bank transactions. Given these circumstances, the directors of the Company have recognised (i) liabilities of approximately HK$8,406,000 (equivalent to approximately RMB6,836,000) in respect of the aggregate amounts of the debit balances of bank transactions took place for the current and previous periods and (ii) liabilities of approximately RMB3,587,000 among which the directors of the Company have been unable to locate relevant books and records in the statements of financial position as other payables at 30 June 2012.

As further disclosed in note 2.1 to the financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous periods. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances of the amount due to a subsidiary and other payables for the current and the previous periods. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the accrued expenses and other payables as of the date of approval of the interim condensed financial statements.

11. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the interim condensed financial statements, the Company had the following events after the end of the reporting period:

Changes in the directors of the Company

(i) Mr. Chiang Chi Kin Stephen was resigned as independent non-executive director of the Company with effect from 31 December 2013.

(ii) Mr. Ng Kwong Chue Paul was appointed as executive director of the Company with effect from 5 September 2013.

(iii) Ms. Kou Mei In was appointed as non-executive director and chairlady of the Company with effect from 5 September 2013.

(iv) Mr. Sze Lin Tang was appointed as independent non-executive director of the Company with effect from 5 September 2013.

(v) Mr. Qiu Xiaohua was appointed as independent non-executive director of the Company with effect from 24 January 2014.

(vi) Mr Fu Chong has tendered his resignation as an executive director of the Company with effect from 1 October 2012.

(vii) Mr. Xia Yuan Jun has tendered his resignation as an executive director of the Company with effect from 3 January 2013.

(viii) Mr. Zhao and Mr. Fong Pin Jan resigned as executive directors of the Company with effect from 10 January 2013.

(ix) Mr. Zhao Chuanwen ("Mr. Zhao CW") resigned as executive directors of the Company with effect from 21 January 2013.

Year 2012

(a) The 9 November 2012 announcement

On 6 November 2012, the Company received a letter from the Stock Exchange of informing the Company the resumption conditions imposed on the Company.

Year 2013

(b) The 9 January 2013 announcement

On 2 January 2013, it was discovered that the heating pipes of the offices of the subsidiary, Da Qing Dairy, were cracked as result of severe coldness (below minus 32℃) in the northern area of the PRC and pipeline aging. Due to cracking of the heating pipes, the first and second floors of the offices have been soaked, where extensive damages were caused to the office facilities, computers and documents in the offices of the finance, logistics, administration and engineering departments of the Group.

(c) The 18 April 2013 announcement

On 8 February 2013, Mr. Zhao entered a sale and purchase agreement (as supplemented and rectified by a supplemental agreement dated 11 March 2013) pursuant to which Mr. Zhao agreed to sell and the New Controlling Shareholder agreed to purchase the sale shares, representing approximately 52.16% of the entire issued share capital of the Company at the Consideration of HK$52,704,000 in cash, representing HK$0.1 per Sale Share.

(d) The 5 July 2013 Announcement

On 5 July 2013, the New Controlling Shareholder (i) had received valid acceptances in respect of a total of 83,153,622 Shares under the share offer, representing approximately 8.23% of the existing issued share capital of the Company as at the date of this announcement and (ii) had not received any valid acceptance in respect of the share options under the option offer.

(e) The 6 November 2013 announcement

On 6 November 2013, the Company announced it has retained the Forensic Accountants for the purpose of conducting the Forensic Investigation over the Irregularities.

With effective from 25 September 2013, each of Mr. Zhao Chuanwen and Mr. Chiok Gay Shing Andrew ceased to be a director of Global Milk, and Mr. Maung Shwe Linn and Ms. Gao Mei Jie have been newly appointed to act as directors of Global Milk.

Year 2014

(f) The 29 January 2014, 4 April 2014, 13 June 2014, 5 September 2014 and 28 November 2014 announcements

The Forensic Accountants has commenced its work including but not limited to making inquiries and performing preliminary research on the Potential Irregularities. However, as most financial documents and records were said to be damaged and irretrievable within the Group due to the Incident and given the limited knowledge of the New Management to the Potential Irregularities, there is difficulty for the Company to reconstruct or locate such records. The Company has been making every effort to retrieve such information from different sources and parties.

However, field works of the Forensic Accountants has yet to commence as the Company encountered difficulties in procuring the relevant parties including the original management to cooperate to enable the field work of the Forensic Accountants to be commenced. Having said that, the Company tried its best efforts to resolve these issues in order to allow the Forensic Accountants to start its field work and to satisfy the resumption conditions imposed by the Stock Exchange as soon as possible.

In order to resolve the above difficulties, the Company engaged two PRC law firms with the objectives to: (i) effect the change of legal representatives and board of directors of the PRC Subsidiaries through legal means; and (ii) obtain the information requested by the Forensic Accountants. The Forensic Accountants have also adjusted the direction of its work plan to place more reliance on the information to be obtained from the third parties sources.

Nevertheless, in view of the uncooperative approach by the existing management of the PRC Subsidiaries, the Forensic Accountants and the Company experienced considerable difficulties in obtaining the necessary information for the purpose of the forensic review. The Forensic Investigation is still ongoing though at a slow pace in view of the difficulties involved.

According to the latest information available to the Board, the Board has reasonable belief that the PRC Subsidiaries, namely Da Qing Dairy and Benniu Muye are still operating their ordinary business while Chang Qing Dairy was suspected to have suspended its production recently.

The Company has served notice to require the board of directors of the PRC Subsidiaries to effect the change of their respective legal representatives to the person nominated by the Board. However, the Board has not received any positive feedback yet and the Board is considering the available legal remedies to effect the contemplated change of the respective legal representatives.

Year 2015

(g) The 30 April 2015 announcement

Due to insufficient financial resources of the Company, the Forensic Investigation has been temporarily halted.

While the Board will proceed with the legal remedies to effect the change in the legal representatives of the PRC Subsidiaries, the Board is not optimistic that it can be done in a short period of time. In this regard, the Board is exploring alternative approach to reflect the lack of effective control on the PRC Subsidiaries.

(h) The 19 May 2015 announcement

On 14 May 2015, the Stock Exchange issued a letter informing the Company that in view of, among others, the fact that: (a) all the Company's businesses are carried out by the PRC Subsidiaries of the Company; (b) the Company has been facing difficulties in exercising control over the PRC Subsidiaries; (c) the Company was refused to access to their offices and factories and was not provided with any information, books and records; and (d) the request for changing the PRC Subsidiaries' legal representatives was not entertained, the Company has lost its control on the PRC Subsidiaries and the Stock Exchange considers that the Company is unable to maintain a sufficient level of operations or assets required under rule 13.24 of the Listing Rules to support a continued listing. Accordingly, the Stock Exchange has decided to place the Company in the first delisting stage pursuant to Practice Note 17 of the Listing Rules.

The first delisting stage will expire on 13 November 2015. The Company is required to submit a viable resumption proposal at least ten business days before the expiry of the first delisting stage.

(i) The 1 June 2015 announcement

On 1 June 2015, the company secretary of the Company was changed to Ms. Wong Po Ling, Pauline and the address of principal place of business in Hong Kong was changed to Room 2512, 25/F., Cosco Tower, 183 Queen's Road Central, Hong Kong.

(j) The 23 June 2015 announcement

On 4 May 2015, the New Controlling Shareholder entered into a sale and purchase agreement with Global Courage pursuant to which the New Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing of approximately 60.39% of the entire share capital of the Company at a consideration of approximately HK$61,019,000, representing HK$0.1 per sale share.

Upon completion and as at the date of this joint announcement, the Global Courage and parties acting in concert with it are interested in 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Global Courage is required to make an unconditional mandatory general offer in cash for all the issued shares other than those already owned by the Global Courage and parties acting in concert with it.

Head & Shoulders Securities will, on behalf of the Global Courage, make the offer, which is unconditional in all respects in compliance with the Takeovers Code, at HK$0.10 per offer share, which is the same as the price per sale share paid by the Global Courage to the New Controlling Shareholder under the sale and purchase agreement. Veda Capital, being the financial adviser to the Global Courage in respect of the offer, is satisfied that sufficient financial resources are available to the Global Courage to satisfy full acceptances of the offer.

On the basis of the offer price of HK$0.10 per offer share and 1,010,500,000 shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at approximately HK$101.05 million. Excluding 610,193,622 sale shares having been acquired by the Global Courage pursuant to the sale and purchase agreement, 400,306,378 Shares will be subject to the offer. Assuming there is no change in the issued share capital of the Company prior to the making of the offer, the offer is valued at approximately HK$40.03 million.

(k) The 23 November 2015 announcement

On 19 November 2015, the Stock Exchange issued a letter to the Company stating that: (i) the first delisting stage has expired on 13 November 2015 but the Company has not submitted any resumption proposal before the deadline; and (ii) the Stock Exchange decided to place the Company in the second delisting stage under Practice Note 17 of the Listing Rules. The second delisting stage will expire on 18 May 2016. The Company should provide a viable resumption proposal at least 10 business days before the second delisting stage expires (i.e. 3 May 2016).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

At the request of the Company, trading in the shares of the Company has been suspended since 22 March 2012 due to the resignation of Deloitte Touche Tohmatsu, the predecessor auditors of the Company (the "Predecessor Auditors") and delay in publication of the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the years ended 31 December 2011, 2012, 2013 and 2014 and the interim results thereof.

On 21 March 2012, the Board and audit committee of the Company received a letter from the Predecessor Auditors advising their resignation as auditors of the Company. As set out in the resignation letter dated 21 March 2012 from the Predecessor Auditors advising their concerns (the "Potential Irregularities") to the financial statements including: 1) certain milk procurement transactions brought to the attention of former management and acknowledged by them to be fraudulent; 2) unexplained differences between sales receipt notes sighted during audit work in February 2012 and documents purporting to be the same sales receipt notes returned to the Company in March 2012 ostensibly following a Tax Bureau investigation; 3) the explanation provided by former management — The Tax Bureau investigation — for removing accounting records which were then not available to the Predecessor Auditors continuously during the audit; 4) the validity and commercial substance of acquisitions of milk stations, farm houses and Holstein cattle; and 5) difficulties of which the Predecessor Auditors encountered during their visits to the local branch of one of the Group's banks.

An independent review committee comprised of those independent non-executive Directors at that material time and other qualified independent individuals was established in March 2012 to conduct a review on the Potential Irregularities. Subsequently, the independent review committee was dissolved due to the resignations of those independent non-executive Directors.

On 2 January 2013, it was discovered that the heating pipes of the offices of the subsidiary, 大慶乳品廠有限責任公司 (for identification purpose, Da Qing Dairy Ltd.) located in Daqing City, Heilongjiang Province of the People's Republic of China (the "PRC"), were cracked as result of severe coldness (below minus 32℃) in the northern area of the PRC and pipeline aging. Due to cracking of the heating pipes, the first and second floors of the offices had been soaked, and extensive damages were done to the office facilities, computers and documents in the offices of the finance, logistics, administration and engineering departments of the Group.

On 8 February 2013, the then controlling shareholder of the Company, Mr. Zhao Yu, entered into a sale and purchase agreement pursuant to which Mr. Zhao agreed to sell and Radiant State Limited (the "New Controlling Shareholder") agreed to purchase the sale shares, representing approximately 52.16% of the entire share capital of the Company at a consideration of HK$52,704,000, representing HK$0.1 per sale share (the "General Purchase"). As disclosed in the announcement of the Company dated 5 July 2013, the New Controlling Shareholder received valid acceptances in respect of a total 83,153,622 shares in the Company under the unconditional mandatory cash offer (the "Share Acceptance"), representing 8.23% of the entire issued share capital of the Company. Following completion of the General Purchase and the Share Acceptance, the New Controlling Shareholder held 60.39% equity interest in the Company.

On 5 September 2013, Mr. Ng Kwong Chue Paul was appointed as executive Director, Ms. Kou Mei In was appointed as non-executive Director and Mr. Sze Lin Tang was appointed as an independent non-executive Director.

On 6 November 2013, the Company has engaged RSM Corporate Advisory (Hong Kong) Limited (formerly known as "RSM Nelson Wheeler Corporate Advisory Limited") (the "Forensic Accountants") to provide forensic accounting services to the Company. The Forensic Accountants were engaged to investigate and to evaluate the Potential Irregularities raised by the Predecessor Auditors and to identify any person who may be responsible for the Potential Irregularities, if applicable (the "Forensic Investigation").

The current management of the Company has been making every effort to facilitate the Forensic Accountants in Forensic Investigation. However, (1) the Forensic Accountants were yet to commence their field work as the Company and the Forensic Accountants have encountered difficulties in procuring relevant parties including the previous management of the Group to cooperate in the field work of the Forensic Investigation; (2) two PRC law firms were engaged with the objectives to (i) effect the change of legal representatives and board of directors of Da Qing Dairy, Heilongjiang Chang Qing Dairy Products Co., Ltd. (黑龍江常慶乳業有限責任公司) and Wuchang Benniu Muye Co., Ltd (五常犇牛牧業有限責任公司) (collectively referred as to the "PRC Subsidiaries") through legal means; and (ii) obtain information requested by the Forensic Accountants; and (3) the contemplate change of respective legal representatives of the PRC Subsidiaries could not be effected and due to insufficient financial resources of the Company, the Forensic Investigation has been temporarily halted.

Subsequently, the New Controlling Shareholder appointed two individuals into the board of directors of its wholly-owned subsidiary, Global Milk Products Pte. Ltd, which is incorporated in the Republic of Singapore ("Global Milk"). However, the Directors could not locate complete books and records of the Company and Global Milk and the previous managements of the Company and Global Milk have continued ignoring the request for any information.

Given the circumstances that the books and records of the Company, Global Milk and the PRC Subsidiaries have been unable to locate and access and in the absence of the Group's previous management to explain and validate the true state of the affairs of the Company, it would be extremely difficult and time consuming to ascertain the true and correct financial position and performance of the Company. A reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the Group's previous management or those responsible for the financial information which the Predecessor Auditors identified the Potential Irregularities within and outside of the Group.

On 14 May 2015, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued a letter to the Company informing that the Company was placed in the first delisting stage pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 19 November 2015, the Stock Exchange issued a letter to the Company stating that the Company was placed in the second delisting stage. The Company should provide a viable resumption proposal at least 10 business days before 3 May 2016 (the expiry date of second delisting stage) to:

1) demonstrate sufficient operations of assets under rule 13.24 of the Listing Rules;

2) conduct forensic investigation on the issues raised by the Predecessor Auditors, disclose the findings of the investigation and take any remedial actions;

3) demonstrate that there is no reasonable regulatory concern about the character, level of due care and integrity the Company's management which will pose a risk to investors and damage market confidence;

4) publish all outstanding financial results and address any audit qualification;

5) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and

6) inform the market of material information for the shareholders and the investors to appraise the Group's operation.

On 4 May 2015, the New Controlling Shareholder entered into a sale and purchase agreement with Global Courage Limited ("Global Courage") pursuant to which the New Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing approximately 60.39% of the entire share capital of the Company at a consideration of approximately HK$61,019,000, representing HK$0.1 per sale share. Upon completion of the sales and purchase agreement, Global Courage is required to make an unconditional mandatory general offer in cash for all the issued shares of the Company other than those already owned by Global Courage and parties acting in concert with it under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Head & Shoulders Securities Limited will, on behalf of Global Courage, make the offer, which is unconditional in all respects in compliance with the Takeovers Code, at HK$0.10 per offer share, which is the same as the price per sale share paid by Global Courage to the New Controlling Shareholder under the sale and purchase agreement.

It is expected that the potential investor will review the operations of the Group and explore any other business opportunities that may arise in the market, which does not limit to any particular industry, from time to time that it considers value enhancing to shareholders of the Company and/or otherwise in the best interests of the Group. The management of the Company will prepare a viable resumption proposal to be submitted to the Stock Exchange for application of resumption of trading of shares of the Company on the Stock Exchange.

FINANCIAL REVIEW

Due to the loss of control over the subsidiaries in Singapore and in the PRC, the financial statements of those subsidiaries have been de-consolidated from the consolidated financial information of the Group. There was no turnover during for the six months ended 30 June 2012 (Group's turnover for the six months ended 30 June 2011: approximately RMB618,897,000). The loss for the six months ended 30 June 2012 was approximately RMB11,530,000 (Group's profit for the six months ended 30 June 2011: approximately RMB142,570,000). The loss for the period mainly attributed from loss on incomplete books and records in respect of bank balances and cash and rental expense.

PROSPECTS

The Board is in the process of identifying suitable target for business cooperation and/or acquisition and preparing for the resumption proposal.

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2012, the Company had total assets of approximately RMB3,439,000 (31 December 2011: approximately RMB3,000). The assets of the Company as at 30 June 2012 were bank balances and cash. During the period under review, the Company has yet to have any financial restructuring plan.

As at 30 June 2012, the Company's current liabilities amounted to approximately RMB12,304,000 (31 December 2011: approximately RMB5,225,000).

The net liabilities value per share of the Company was approximately RMB0.009 as at 30 June 2012 (31 December 2011: approximately RMB0.005). The net liabilities value per share was computed based on 1,010,500,000 ordinary shares in issue as at 30 June 2012 and 31 December 2011 respectively.

The gearing ratio as computed based on total interest bearing indebtedness over total assets. No gearing ratio was computed as the Company did not have interest bearing indebtedness as at 30 June 2012 and 31 December 2011 respectively.

PLEDGE OF ASSETS

As at 30 June 2012, the Company had no charges on its assets (31 December 2011: Nil).

CAPITAL STRUCTURE

For the six months ended 30 June 2012, there was no change in the capital structure and issued share capital of the Company.

INVESTMENT POSITION AND PLANNING

The Company did not enter any new significant investment and acquisitions and disposals of subsidiaries during the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period of the Company are set out in note 11 to the financial statements.

FOREIGN CURRENCY RISK

The Company's functional currency is RMB. The foreign currency risk of the Company is the foreign currencies deposited in the bank. As at 30 June 2012, the Company had bank balances of approximately RMB93,000 (31 December 2011: approximately RMB3,000) and approximately RMB3,346,000 (31 December 2011: Nil) denominated in USD and HKD respectively.

NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES

Given the circumstances that the Directors lose control of subsidiaries in Singapore and in the PRC and unable to locate and get access to the complete books and records of the de-consolidated subsidiaries, no sufficient data available to compile this interim report so as to comply with the Appendix 16 "Disclosure of Financial Information" of the Listing Rules. The following information has been omitted:

1. Connected transactions and continuing connected transactions with the connected person as defined in Chapter 14A of the Listing Rules;

2. Details of related party transactions;

3. Details of the number and remuneration of employees, remuneration policies, and the retirement benefits scheme; and

4. Details of commitments and contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the financial period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference which are in line with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules and the existing Audit Committee comprises two independent non-executive Directors.

The existing Audit Committee has reviewed the Company's financial statements for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders as a whole. Thus, the Company adopted the principles and the code provisions of the CG Code contained in Appendix 14 of the Listing Rules.

The existing Board except Mr. Wang Delin (who tendered to resign as an executive Director as per the announcements of the Company dated 3 July 2015 and 14 July 2015) (the "Existing Board") has reviewed the Company's corporate governance practice for the financial year under review, and has formed the opinion that the Existing Board was unable to comment on the compliance of the CG Code for the six months ended 30 June 2012 due to incomplete records of the Company from the previous Board. The Existing Board is of the view that apart from achieving the resumption of the Company, one of its main priorities in 2015/2016 is to improve the corporate governance of the Group.

Further information on the Company's corporate governance practices is set out in the Corporate Governance contained in the interim report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Existing Board was unable to make specific enquiry of all past Directors, whether they have complied with the required standard set in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2012 due to the fact that past Directors were uncontactable and incomplete records of the Company from the previous Board.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Company's auditors have qualified the report on review of the Company's interim financial information for the six months ended 30 June 2012, an extract of which is as follows:

Basis for disclaimer of conclusion

a) *Opening balances and the comparative information*

The opening balances and the comparative figures disclosed in the interim condensed financial statements are based on (i) the unaudited interim condensed financial statements of the Company for the six months ended 30 June 2011 of which the predecessor auditors' review report dated 18 August 2011 expressed an unqualified conclusion; and (ii) the audited financial statements of the Company for the year ended 31 December 2011 in respect of our auditors' report dated 21 January 2016 expressed a disclaimer opinion. The matters which resulted in that disclaimer opinion included a) authenticity of accounting records and de-consolidation of all subsidiaries; (b) incomplete books and records; (c) non-compliance with International Financial Reporting Standards ("IFRSs") and omission of disclosures; (d) bank balances and cash; (e) amount due to a subsidiary; (f) accrued expenses and other payables; (g) impairment loss recognised in respect of trade and other receivables; (h) contingent liabilities and commitments; (i) share-based payments; (j) events after the reporting period; (k) related party transactions; and (l) going concern basis of accounting. Due to lack of complete books and records of the Company, we have not been able to obtain sufficient appropriate evidence as to whether the opening balances as at 1 January 2012 and the comparative figures as at 31 December 2011 were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including IAS 1 "Presentation of Financial Statements". There were no alternative procedures that we could perform to satisfy ourselves as to whether the opening balances and the comparative figures were free from material misstatement. Any adjustments to the opening balances as at 1 January 2012 that would be required may have a consequential significant effect on the Company's assets and liabilities as at 1 January 2012 and 30 June 2012 and its results for the six months ended 30 June 2011 and 2012, and the presentation and disclosure thereof in the financial statements.

b) Authenticity of accounting records and de-consolidation of all subsidiaries

As disclosed in note 2.1, the predecessor auditors of the Company (the "Predecessor Auditors") identified certain potential irregularities in respect of certain accounting records and transactions recorded in the books of the Company's indirectly wholly-owned subsidiaries incorporated in the People's Republic of China (the "PRC") namely, Da Qing Dairy Ltd. (大慶乳品廠有限責任公司), Heilongjiang Chang Qing Dairy Products Co., Ltd. (黑龍江常慶乳業有限責任公司) and Wuchang Benniu Muye Co., Ltd (五常犇牛牧業有限責任公司) (collectively referred to as the "PRC Subsidiaries"). The Predecessor Auditors subsequently resigned on 21 March 2012. As disclosed in note 2.1 to the interim condensed financial statements, certain new directors were appointed following the change in controlling shareholder and it was announced on 6 November 2013 that a firm of forensic accounting specialists (the "Forensic Accountants") was appointed to investigate these potential irregularities (the "Forensic Investigation"). Both the Forensic Accountants and the directors of the Company have been unable to get access to the books and records of the PRC Subsidiaries. The directors of the Company have also been unable to locate the complete books and records of the Company and Global Milk Products Pte. Ltd which is the Company's directly wholly-owned subsidiary incorporated in the Republic of Singapore ("Global Milk"). The directors of the Company have further confirmed to us that the previous management of the Company and its subsidiaries (collectively referred to as the "Group") did not response to their request for any information. Furthermore, the Company resolved to put Global Milk into winding up in a shareholder's meeting held on 3 December 2015.

Given these circumstances, the directors of the Company have not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no interim condensed consolidated financial statements of the Company were prepared for the six months ended 30 June 2012.

The resulting de-consolidation loss of approximately RMB1,583,093,000 have been recognised in the statements of profit or loss and other comprehensive income during the year ended 31 December 2011 and the resulting movement of approximately RMB55,946,000 has been recorded in the statutory surplus reserve in the statement of change in equity for the year ended 31 December 2011.

The directors of the Company have determined to exclude the De-consolidated Subsidiaries in presenting the financial position, results of operations and cash flows and did not prepare interim condensed consolidated financial statements for the Group under the above mentioned circumstances. The exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries and no interim condensed consolidated financial statements have been prepared for the Group is a departure from the requirements of IFRS 10 "Consolidated Financial Statements".

Due to the lack of complete books and records of the De-consolidated Subsidiaries, we have been unable to obtain sufficient appropriate evidence and explanation to assess the accounting treatment and the loss on deconsolidation of the De-consolidated Subsidiaries. We are also unable to ascertain the impact of the potential irregularities with respect to the accounting records and transactions of the Group, if any, and the de-consolidation of the De-consolidated Subsidiaries on the interim condensed financial statements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 30 June 2012 and the loss attributable to equity holders of the Company for the period then ended.

c) Incomplete books and records

As disclosed in note 2.1, the directors of the Company are unable to locate the books and records of the Company and were unable to unreservedly confirm its financial position, results of operations and cash flow. We were therefore unable to carry out satisfactory procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, ownership, classification and disclosures of the transactions undertaken by the Company. Accordingly, we were unable to ascertain whether the interim condensed financial statements of the Company has been properly prepared in accordance with IFRSs.

d) Non-compliance with IFRSs and omission of disclosures

As disclosed in note 2.1, as the Company's interim condensed financial statements have been prepared by the directors of the Company based on incomplete books and records and the board of directors of the Company believes it is almost impossible and impracticable to ascertain the correct amounts and balances in the interim condensed financial statements. Consequently, the directors of the Company were unable to represent that the interim condensed financial statements comply with IFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in note 2.1, there were no practicable procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Company's interim condensed financial statements.

e) Bank balances and cash

As disclosed in notes 2.1 and 9, the directors of the Company were unable to locate complete books and records of bank accounts and whereabouts of these bank balances and cash as of the date of approval of the interim condensed financial statements. Given these circumstances, the directors of the Company have recognised (i) losses of approximately RMB3,396,000 in respect of the aggregate amounts of the credit balances of bank transactions took place during the six months ended 30 June 2012 as other suspense account in the statements of profit or loss and other comprehensive income for the six months ended 30 June 2012; and (ii) liabilities of approximately RMB6,832,000 in respect of the aggregate amounts of the debit balances of bank transactions took place during the six months ended 30 June 2012 as other payables in the statements of financial position at 30 June 2012. Due to lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate evidence as to whether the bank balances and cash, the resulting loss recognised as other suspense account and the resulting liabilities recognised as accrued expenses and other payables were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs. There were no alternative procedures that we could perform to satisfy ourselves as to whether the bank balances and cash, the resulting loss recognised as other suspense account and the resulting liabilities recognised as accrued expenses and other payables were free from material misstatement. Any adjustments that would be required may have a consequential significant effect on the Company's net liabilities at 31 December 2011 and 30 June 2012 and consequently net loss and cash flows of the Company for the for the six months ended 30 June 2012, and the related disclosures thereof in the financial statements.

f) *Amount due to a subsidiary*

As disclosed in note 10, the Company recorded an amount due to a subsidiary of approximately RMB810,000. As further disclosed in note 2.1 to these interim condensed financial statements, the directors of the Company have been unable to locate complete books and records of the Company and Global Milk and have been unable to get access to the books and records of the PRC Subsidiaries. Due to the lack of complete books and records of the Company and Global Milk, we have not been able to obtain sufficient appropriate evidence to determine whether the amount due to a subsidiary were properly recorded and accounted and in compliance with the requirements of IFRSs. There were no alternative procedures that we could perform to satisfy ourselves as to whether the amount due to a subsidiary were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 30 June 2012 and loss attributable to the equity holders of the Company for the six months then end.

g) *Accrued expenses and other payables*

As disclosed in note 10, included in the accrued expenses and other payables in the statement of financial position of the Company as at 30 June 2012 were other payables of approximately RMB10,423,000 among which (i) RMB6,836,000 were liabilities recognised in respect of the aggregate amounts of the debit balances of bank transactions as the directors of the Company were unable to locate complete books and records of bank accounts and whereabouts of these bank balances and cash as of the date of approval of the interim condensed financial statements; and (ii) RMB3,587,000 were other payables that the directors of the Company have been unable to locate relevant books and records. Due to the lack of complete books and records of the Company, we were not able to obtain sufficient appropriate evidence as to whether the accrued expenses and other payables were properly recorded and accounted for and in compliance with the requirements of IFRSs. There were no alternative procedures that we could perform to satisfy ourselves as to whether the accrued expenses and other payables were free from material misstatements. Any adjustments that would be required may have a consequential significant effect on the balances of the Company's accrued expenses and other payables, the Company's net liabilities as at 30 June 2012 and consequently net loss and cash flows of the Company for the six months ended 30 June 2012, and the related disclosures thereof in the interim condensed financial statements.

h) *Contingent liabilities and commitments*

As disclosed in note 2.1, due to the lack of complete books and records of the Company and the De-consolidated Subsidiaries, we have not been able to obtain sufficient appropriate evidence and explanations as to whether the contingent liabilities and commitments committed by the Company were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 39 "Financial Instruments: Recognition and Measurement". There were no alternative procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 30 June 2012 and the loss attributable to the equity holders for the year then ended and the related disclosures thereof in the financial statements.

i) Share-based payments

Due to lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate evidence as to whether the share-based payment expenses of approximately RMB7,891,000 and the movements and balances of the share option reserve were properly recorded and accounted for and in compliance with applicable IFRSs including IFRS 2 "Share-based Payment". There were no alternative procedures that we could perform to satisfy ourselves as to whether the share-based payments expenses and the movement and balances of the share option reserve were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the balance of the share option reserve, the Company's net liabilities as at 30 June 2012 and consequently net loss of the Company for the six months ended 30 June 2012, and the related disclosures thereof in the interim condensed financial statements.

j) Events after the reporting period

Due to lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate evidence as to whether the events after the reporting period were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including IAS 10 "Events after the Reporting Period". There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 July 2012 to the date of this auditors' report. Any adjustment that would be required may have a consequential significant effect on the Company's net liabilities as at 30 June 2012 and consequently net loss of the Company for the six months ended 30 June 2012, and the related disclosures thereof in the interim condensed financial statements.

k) Related party transactions

Due to lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate evidence as to whether the related party transactions disclosures were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including IAS 24 "Related Party Disclosures". There were no practical alternative procedures that we could perform over the related party transactions which occurred during the six months ended 30 June 2012. Any adjustments that would be required may have a consequential significant effect on the Company's net liabilities as at 30 June 2012 and consequently net loss of the Company for the six months ended 30 June 2012, and the related disclosures thereof in the interim condensed financial statements.

l) *Going concern basis of accounting*

As explained in note 2.1, in making their assessment of the Company's ability to continue as a going concern, the directors of the Company has considered (i) the Company incurred a loss attributable to the owners of the Company of approximately RMB11,530,000 for the six months ended 30 June 2012 and as of that date, the Company's total liabilities exceeded its total assets by approximately RMB8,865,000; (ii) following de-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting other business; (iii) the Company has been placed in the second delisting stage as of the date of approval of the interim condensed financial statements; and (iv) as disclosed in note 2.1, the directors are unable to represent that all present and contingent liabilities of the Company have been completely identified. Given these circumstances, which are more fully described in note 2.1, there were no practicable procedures that we could perform to form an opinion on whether management has considered all relevant events and conditions when making assessment on the Company's ability to continue as a going concern.

Disclaimer of conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we were unable to obtain sufficient appropriate evidence to form a conclusion on the interim financial information. Accordingly, we do not express a conclusion on the interim financial information.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (http://www.cre8ir.com/daqingdairy/). The interim report of the Company will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
Daqing Dairy Holdings Limited
Kou Mei In
Chairlady

Hong Kong, 21 January 2016

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Kwong Chue Paul and Mr. Wang Delin; one non-executive Director, namely Ms. Kou Mei In; and two independent non-executive Directors, namely Mr. Sze Lin Tang and Mr. Qiu Xiaohua.