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## **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 2015**

#### **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 2015 as follows:

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 June 2015*

		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	—	—
Cost of sales		—	—
<b>Gross profit</b>		—	—
Administrative expenses		<b>(1,568)</b>	<b>(1,540)</b>
<b>Loss before taxation</b>	4	<b>(1,568)</b>	<b>(1,540)</b>
Income tax expenses	5	—	—
<b>LOSS FOR THE PERIOD</b>		<b>(1,568)</b>	<b>(1,540)</b>
<b>Other comprehensive income for the period, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating to presentation currency		<b>50</b>	78
<b>Other comprehensive income for the period, net of income tax</b>		<b>50</b>	78
<b>Total comprehensive loss for the period</b>		<b>(1,518)</b>	<b>(1,462)</b>
<b>Loss for the period attributable to owners of the Company</b>		<b>(1,568)</b>	<b>(1,540)</b>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(1,518)</b>	<b>(1,462)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	7		
Basic and diluted		<b>RMB(0.002)</b>	<b>RMB(0.002)</b>

## CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	—	429
Prepaid lease payments		—	—
Intangible assets		—	—
Deferred tax assets		—	—
		<u>—</u>	<u>429</u>
<b>Current assets</b>			
Inventories		—	—
Prepayments and deposits paid		94	500
Prepaid lease payments		—	—
Bank balances and cash	9	58	58
		<u>152</u>	<u>558</u>
<b>Current liabilities</b>			
Accrued expenses and other payables	10	22,308	21,625
		<u>22,308</u>	<u>21,625</u>
<b>Net current liabilities</b>		<u>(22,156)</u>	<u>(21,067)</u>
<b>Total assets less current liabilities</b>		<u><u>(22,156)</u></u>	<u><u>(20,638)</u></u>
<b>Capital and reserves</b>			
Share capital		9	9
Reserves		(22,165)	(20,647)
		<u>(22,156)</u>	<u>(20,638)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		—	—
Borrowings		—	—
		<u>—</u>	<u>—</u>
		<u>(22,156)</u>	<u>(20,638)</u>

# 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 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 financial statements as at and for the six months ended 30 June 2015 comprise the Company.

The interim condensed financial statement for the six months ended 30 June 2015 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 (the "Listing Rules") 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 2014.

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 18 April 2013, on 8 February 2013, Mr. Zhao Yu, 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 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. 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 not been able 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 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, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013, it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of at 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013 for the Group or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the year and various balances of the Company, Global Milk and the PRC Subsidiaries as at 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013. 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 years ended 31 December 2011, 2012 and 2013, 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 not practical, 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 either could not be located or could not be 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.

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 since 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. 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".

Due to the limited financial information available and the previous management of the Group 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 financial statements for the six months ended 30 June 2015 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 in the previous periods, the directors of the Company are unable to represent that all transactions entered into by the Company and the Group for the previous periods 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 accrued expenses and other payables.

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 2015. 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 2015 and net liabilities of the Company as at 30 June 2015.

During the six months ended 30 June 2015, the Group incurred loss of approximately RMB1,568,000. In addition, following non-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting any 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 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 ("IFRSs")

The interim condensed financial statements for the six months ended 30 June 2015 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 2014.

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 2014, except for the adoption of the new and revised IFRSs as of 1 January 2015, noted below:

IAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions
IFRSs (Amendments)	Annual Improvements to IFRSs 2010–2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011–2013 Cycle

## 3. REVENUE AND SEGMENT INFORMATION

The Company did not conduct business during the period.

## 4. LOSS BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Salaries and wages	—	—
— Retirement benefit scheme contributions	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>



## 5. INCOME TAX EXPENSES

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.

## 6. DIVIDEND

No dividend has been paid or proposed by the Company during the 30 June 2015 (six months ended 2014: RMB Nil).

## 7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(1,568)</u>	<u>(1,540)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,010,500,000</u>	<u>1,010,500,000</u>

There were no potential dilutive shares in existence during the six months ended 30 June 2015 and therefore, no diluted loss per share amounts has been presented.

The calculation of diluted loss per share for the six months ended 30 June 2014 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.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Company disposed of property, plant and equipment at an aggregate cost amounting to approximately RMB389,000 (six months ended 30 June 2014: RMB486,000).

## 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 and whereabouts of the bank balances and cash. The Company engaged the Forensic Accountants to 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 has indicated the existence of any bank accounts of the Company up to the date of these 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 relevant bank accounts of the Company for the previous periods. 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 in the previous periods and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of the bank transactions.

## 10. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Accrued expenses	3,838	3,325
Amount due to a subsidiary	810	810
Amount due to a related party	3,212	3,363
Amount due to Global Courage	318	—
Other payables	14,130	14,127
	<u>22,308</u>	<u>21,625</u>

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. In addition, the directors of the Company have been unable to locate books and records of certain bank transactions took place for the previous periods. 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 previous periods 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\$13,142,000 (equivalent to approximately RMB10,543,000) in respect of the aggregate amounts of the debit balances of bank transactions took place for the 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 as at 30 June 2015.

As further 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 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 amount due to a subsidiary and other payables for 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.

Amount due to a related party was interest-fee and repayable on demand.

## 11. EVENTS AFTER THE REPORTING PERIOD

### Year 2015

#### (a) 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 °C) 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 to 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 2015 (six months ended 30 June 2014: Nil). The loss for the six months ended 30 June 2015 was approximately RMB1,568,000 (six months ended 30 June 2014: approximately RMB1,540,000). The loss for the period mainly attributed from 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 2015 (six months ended 30 June 2014: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

As at 30 June 2015, the Company had total assets of approximately RMB152,000 (31 December 2014: approximately RMB987,000). The assets of the Company as at 30 June 2015 were prepayments and bank balances and cash. During the period under review, the Company has yet to have any financial restructuring plan.

As at 30 June 2015, the Company's current liabilities amounted to approximately RMB22,308,000 (31 December 2014: approximately RMB21,625,000).

The net liabilities value per share of the Company was approximately RMB0.022 as at 30 June 2015 (31 December 2014: approximately RMB0.020). The net liabilities value per share was computed based on 1,010,500,000 ordinary shares in issue as at 30 June 2015 and 31 December 2014 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 2015 and 31 December 2014 respectively.

## **PLEDGE OF ASSETS**

As at 30 June 2015, the Company had no charges on its assets (31 December 2014: Nil).

## **CAPITAL STRUCTURE**

For the six months ended 30 June 2015, 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 2015 (six months ended 30 June 2014: 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 2015, the Company had bank balances of approximately RMB37,000 (31 December 2014: approximately RMB37,000) and approximately RMB21,000 (31 December 2014: approximately RMB21,000) 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 2015.

## **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.

During the period under review, the Company has complied with the CG Code except for the deviation from the code provisions which are explained below.

### **Code Provision A.1.8**

No insurance cover has been arranged because of the suspension in trading of the Company’s shares. Directors’ insurance will be arranged for each Director once such can be arranged or immediately upon the resumption of trading of the Company’s shares.

### **Code Provision A.2.8**

Appropriate steps should be taken to provide effective communication with shareholders and that their views are communicated to the board as a whole. However, no shareholders' communication policy has been established in the Company. The Company will improve in this aspect in the near future.

### **Code Provision A.4.2**

Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Wang Delin was appointed as the executive Director on 18 August 2011. As the Company has not held any annual general meeting after 16 June 2011, Mr. Wang Delin has not retired by rotation at least once every three years. Mr. Wang Delin tendered his resignation from his office as an executive Director as per the announcements of the Company dated 3 July 2015 and 14 July 2015.

### **Code Provision A.5.6**

The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. However, no board diversity policy has been established in the Company. The Company will improve in this aspect in the near future.

### **Code Provision C.1.2**

Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects. The Company has not provided monthly updates on the financial information of the Group's performance position and prospects due to the loss of control over the subsidiaries in Singapore and in the PRC, and thus the financial statements of those subsidiaries have been de-consolidated from the consolidated financial statements of the Group.

### **Code Provision C.2.1**

The Company has not conducted a review of the effectiveness of the Company's and its subsidiaries' internal control systems due to the loss of control over the subsidiaries in Singapore and in the PRC, and thus the financial statements of those subsidiaries have been de-consolidated from the consolidated financial statements of the Group.

### **Code Provision E.1.4**

The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. However, no such policy has been established in the Company. The Company will improve in this aspect in the near future.

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 apart 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 Company has made specific enquiries of all existing Directors and all Directors, except Mr. Wang Delin, confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2015.

### EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Company's auditors have qualified the report on review of the Company's interim financial information for the six months ended 30 June 2015, 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 2014 of which our review report dated 21 January 2016 expressed a disclaimer conclusion; and (ii) the audited financial statements of the Company for the year ended 31 December 2014 in respect of our auditors' report dated 21 January 2016 expressed a disclaimer opinion. The matters which resulted in that disclaimer conclusion and disclaimer opinion included (a) departure from International Financial Reporting Standard ("IFRS") 10 "consolidated Financial Statements"; (b) amount due to a subsidiary; (c) accrued expenses and other payables; (d) contingent liabilities and commitments; and (e) 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 2015 and the comparative figures for the six months ended 30 June 2014 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 be required may material misstatement. Any adjustments to the opening balances as at 1 January 2014 that would have a consequential significant effect on the Company's assets and liabilities as at 1 January 2015 and 30 June 2015 and its results for the six months ended 30 June 2014 and 2015, and the presentation and disclosure thereof in the financial statements.

##### *b) Departure from IFRS 10 "Consolidated Financial Statements"*

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., Limited (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, 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 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 Group did not respond 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 2015.

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 not been able to obtain sufficient appropriate evidence and explanation to assess the accounting treatment 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 2015 and the loss attributable to equity holders of the Company for the six months then ended.

*c) 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, 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 2015 and loss attributable to the equity holders of the Company for the six months then end.

*d) 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 2015 were other payables of approximately RMB14,130,000 among which (i) RMB10,543,000 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 2015 and consequently net loss and cash flows of the Company for the six months ended 30 June 2015, and the related disclosures thereof in the interim condensed financial statements.

*e) 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 31 December 2014 and the loss attributable to the equity holders for the year then ended and the related disclosures thereof in the financial statements.

*f) 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 have considered (i) the Company incurred a loss attributable to the owners of the Company of approximately RMB1,568,000 for the six months ended 30 June 2015 and as of that date, the Company's total liabilities exceeded its total assets by approximately RMB22,156,000; (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](http://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.*