AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board (the "Board") of directors (the "Directors") of Ausnutria Dairy Corporation Ltd (the "Company") is pleased to announce the unaudited financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "2012 Interim Period") together with the comparative figures (as restated) for the corresponding periods in 2011 (the "2011 Interim Period") and 2010 (the "2010 Interim Period").

The interim financial results are unaudited but have been reviewed by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June			
	Notes	**2012** *RMB'000* **(Unaudited)**	2011 *RMB'000* (Unaudited) (Restated)	2010 *RMB'000* (Unaudited) (Restated)	2009 *RMB'000* (Audited) (As previously reported#)
REVENUE	*4*	**714,725**	184,836	242,835	320,972
Cost of sales		**(505,502)**	(94,819)	(118,587)	(184,711)
Gross profit		**209,223**	90,017	124,248	136,261
Other income and gains	*4*	**10,952**	7,599	7,388	4,547
Selling and distribution costs		**(76,316)**	(39,105)	(75,381)	(44,717)
Administrative expenses		**(36,810)**	(14,116)	(11,430)	(4,720)
Other expenses		**(3,537)**	(5,999)	(8,919)	(121)
Finance costs	*5*	**(2,515)**	–	(1,371)	(4,181)
Profit before tax	*6*	**100,997**	38,396	34,535	87,069
Income tax expense	*7*	**(20,685)**	(6,207)	(4,620)	(21,908)
PROFIT FOR THE PERIOD		**80,312**	32,189	29,915	65,161

		Six months ended 30 June			
		2012	2011	2010	2009
	Notes	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Audited) (As previously reported#)
PROFIT FOR THE PERIOD		**80,312**	32,189	29,915	65,161
Attributable to:					
Owners of the parent		**65,227**	32,189	29,915	65,161
Non-controlling interests		**15,085**	–	–	–
		80,312	32,189	29,915	65,161
OTHER COMPREHENSIVE (LOSS)/INCOME:					
Exchange difference on translation of foreign operations		**(11,067)**	(600)	170	(10)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69,245**	31,589	30,085	65,151
Attributable to:					
Owners of the parent		**59,317**	31,589	30,085	65,151
Non-controlling interests		**9,928**	–	–	–
		69,245	31,589	30,085	65,151
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– basic and diluted *(RMB)*	*8*	**6.61 cents**	3.19 cents	2.86 cents	8.15 cents

As previously reported in the Prospectus dated 24 September 2009

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited) (As previously reported#)
NON-CURRENT ASSETS						
Property, plant and equipment		**245,555**	251,619	41,184	30,227	27,045
Prepaid land lease payments		**2,171**	2,199	2,228	2,285	2,342
Goodwill		**79,931**	82,891	–	–	–
Other intangible assets		**29,257**	31,305	1,934	1,091	359
Investments in associates		**–**	1,730	3,260	–	–
Deferred tax assets		**21,416**	22,896	6,346	1,078	–
Long-term prepayment		**–**	–	154,106	–	–
Total non-current assets		**378,330**	392,640	209,058	34,681	29,746
CURRENT ASSETS						
Inventories	*9*	**224,050**	261,614	177,412	132,623	48,119
Trade and bills receivables	*10*	**116,202**	177,792	60,899	37,193	24,470
Prepayments, deposits and other receivables		**105,982**	49,384	54,122	137,188	46,768
Held-to-maturity investments		**60,000**	200,000	200,000	200,000	–
Tax recoverable		**–**	3,819	10,825	–	–
Time deposits		**420,000**	110,000	–	–	–
Cash and cash equivalents	*11*	**161,672**	342,241	438,403	665,264	138,843
Total current assets		**1,087,906**	1,144,850	941,661	1,172,268	258,200
CURRENT LIABILITIES						
Trade payables	*12*	**80,291**	84,297	14,365	24,487	12,868
Deposits received, other payables and accruals		**155,351**	259,508	187,933	110,766	188,738
Derivative financial instruments		**984**	1,175	–	–	–
Dividend payable		**–**	–	24,628	54,699	–
Interest-bearing bank loans and other borrowings		**62,323**	91,386	–	–	–
Tax payable		**7,638**	5,204	–	420	18,120
Total current liabilities		**306,587**	441,570	226,926	190,372	219,726

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited) (As previously reported[#])
NET CURRENT ASSETS	**781,319**	703,280	714,735	981,896	38,474
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,159,649**	1,095,920	923,793	1,016,577	68,220
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	**38,872**	42,669	–	–	–
Defined benefit plan	**13,168**	13,207	–	–	–
Deferred tax liabilities	**27,283**	28,927	–	1,012	–
Other liabilities	**454**	490	–	–	–
Total non-current liabilities	**79,777**	85,293	–	1,012	–
Net assets	**1,079,872**	1,010,627	923,793	1,015,565	68,220
EQUITY					
Equity attributable to owners of the parent					
Issued capital	**86,866**	86,866	86,971	92,066	–
Reserves	**899,693**	840,376	836,822	923,499	68,220
	986,559	927,242	923,793	1,015,565	68,220
Non-controlling interests	**93,313**	83,385	–	–	–
Total equity	**1,079,872**	1,010,627	923,793	1,015,565	68,220

As previously reported in the Prospectus dated 24 September 2009

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal offices of the Group in Mainland China, at Floor 9, XinDaXin Building, No. 168, HuangXing Road (M), Changsha City, Hunan Province; in Hong Kong, at Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central; and in the Netherlands, at Burgemeester Falkenaweg 58-1 (8442LE), Heerenveen. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2009.

The Company acts as an investment holding company of the Group. The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the People's Republic of China (the "PRC") and the dairy industry in the Netherlands with activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation and restatement of interim financial statements for the six months ended 30 June 2010 (the "2010 Interim Period") and the six months ended 30 June 2011 (the "2011 Interim Period")

As mentioned in the annual report dated 5 December 2013, during the audit in respect of the financial statements for the year ended 31 December 2011, certain unresolved issues (the "Unresolved Issues") relating to Ausnutria Dairy (China) Co., Ltd. ("Ausnutria China", a major indirect wholly-owned subsidiary of the Company), were reported by Ernst & Young, the auditors of the Company, to the Board on 29 March 2012. On the same date, in the interest of the Company and its shareholders as a whole, the Company then applied for the suspension of trading of its shares on the Stock Exchange. Details in relation to the Unresolved Issues are set out in the announcement of the Company dated 28 June 2013.

On 29 March 2012, a special review committee (the "SRC") comprising two of the independent non-executive directors of the Company, namely Mr. Qiu Weifa and Mr. Chan Yuk Tong, was established by the Board to conduct a review in relation to the Unresolved Issues. The SRC, upon its establishment, requested certain management of the Group, consisting of the chief financial officer of the Company and several senior managers of Ausnutria China (the "Management") who were not associated in any way with the Unresolved Issues to carry out a review to, among other things, quantify the financial impact in relation to the Unresolved Issues. Based on its review, the Management informed the SRC prior to the commencement of the PwC Review (as defined herein below) that certain sales of Ausnutria China amounting to RMB123 million (equivalent to approximately RMB143.5 million (inclusive of 17% valued-added-tax in the PRC (the "VAT"))) were recorded in the accounting system of Ausnutria China in December 2011 (the "Questionable December Transactions"), but the goods had not yet been delivered to its distributors on or before 31 December 2011 and accordingly, should not be recognised as sales of Ausnutria China in December 2011.

Following the Unresolved Issues raised by Ernst & Young and the establishment of the SRC, King & Wood Mallesons ("KWM") were engaged by the SRC as the legal advisors to the SRC and the Board in relation to the Unresolved Issues. In turn, PricewaterhouseCoopers Limited ("PwC"), an independent professional adviser, was appointed by KWM on behalf of the SRC to conduct a forensic review (the "PwC Review") on the Unresolved Issues. PwC issued its report in relation to its findings on the PwC Review to KWM, which was copied to the SRC, on 12 August 2013.

The key findings of the PwC Review are:

(a) the Questionable December Transactions (in respect of which the relevant underlying documents relating to a sample of the Questionable December Transactions appeared to be different from a sample of transactions of Ausnutria China for other months in 2011, and for which the goods involved had not been delivered to the distributors on or before 31 December 2011), should not be recognised as sales of Ausnutria China in December 2011;

(b) the integrity of Ausnutria China's old sales order system (the "Old Sales Order System", which had ceased to be used since October 2011 but recorded the Questionable December Transactions) is questionable, as the data in which relating to the Questionable December Transactions had been manually altered. The integrity of the warehouse barcode system of Ausnutria China is also questionable as the data in the warehouse barcode system for December 2011 had been manually altered to match the data previously provided by the management of Ausnutria China to Ernst & Young; and

(c) there were discrepancies between the accounting records of monthly quantity of goods delivered kept by the accounting department of Ausnutria China (the "Accounting Records") and information provided by the independent logistic service provider engaged by Ausnutria China involved in the Unresolved Issues during January to November 2011 as well as discrepancies in the inventory movement records between the Accounting Records and Ausnutria China's warehouse records (the "Warehouse Records") in 2011.

In addition to the Questionable December Transactions, PwC also identified other questionable transactions of Ausnutria China amounting to approximately RMB11.5 million (inclusive of 17% VAT) for November 2011 (the "Questionable November Transactions") and approximately RMB39.6 million (inclusive of 17% VAT) for the period from January to November in 2011 with a similar pattern to those of the Questionable December Transactions.

Further details in relation to the PwC Review are set out in the announcement of the Company on 18 August 2013.

Based on the results of the PwC Review and certain responses provided by the Management and the SRC, the Board found that certain employees in the accounting department, the information technology department, the sales department and the logistics department of Ausnutria China were involved in fabricating various delivery documents, including sales orders, delivery notes, the logistic service provider's delivery notes and goods receipts acknowledged by customers, which were presented to Ernst & Young for examination during the audit with a view to matching the financial data previously provided by certain employees of Ausnutria China to Ernst & Young and creating the impression that the Questionable November Transactions, the Questionable December Transactions and certain other questionable sales transactions during the period from January to November in 2011 had taken place before the relevant underlying goods were actually delivered. Based on the results of the PwC Review and other work performed by the Management and the SRC, the Board concluded that errors relating to the early recognition of revenue had occurred since October 2009 and extended into 2010 and 2011.

The SRC and the Board directed the Company to adopt measures to address the Unresolved Issues raised by Ernst & Young as well as the findings of the PwC Review. These measures have included the restructuring of the Board and the senior management of Ausnutria China, and the implementation of recommendations from an external professional internal control consultant on control weaknesses in the internal control(s) and information technology system(s) of the Company and Ausnutria China that may have given rise to the Unresolved Issues.

Due to the fact that (i) the former chief financial officer of Ausnutria China and a number of employees who might have been involved in the Unresolved Issues had left Ausnutria China and the information gathered from other employees did not appear to be conclusive; (ii) some of the Accounting Records, the Warehouse Records and certain other supporting documents have been manually altered and/or forged; and (iii) the lack of complete and accurate records of Ausnutria China, as the hard disk which hosted the Old Sales Order System had been inoperable since March 2012 and there was no backed up data available, the SRC and the Board had doubts over the completeness and accuracy of the accounting records in relation to certain sales transactions and the corresponding cost of sales of Ausnutria China for the year ended 31 December 2011 and certain periods prior to that date (as mentioned above) and, accordingly, the related trade receivables and inventories as at 31 December 2011 and the reporting period dates of certain other periods prior to 31 December 2011 (as mentioned above).

The SRC and the Board noted that each of the staff in the sales accounting department（營銷財務部）of Ausnutria China had kept an order book for the distributors that he/she has been responsible for since around 2005 (the "Order Books"). The Order Books were prepared to keep track of the sales order status of and the cash receipts from Ausnutria China's distributors.

In view of the abovementioned doubts over the completeness and accuracy of the accounting records, as the Order Books are the best available alternative information that the SRC and the Board can reasonably rely on, the Management has used the information maintained by the sales accounting department in the Order Books to summarise all the orders and cash receipt information and compared them to the financial statements of Ausnutria China from January 2006 to December 2011. Certain additional procedures were also carried out by the Management, including but not limited to the confirmation and reconciliation of balances with the distributors as at 30 June 2013, certain roll-back procedures based on the confirmed balances of trade receivables and reconciling the cash receipts as set out in the Order Books with Ausnutria China's bank statements for the relevant years.

Based on the results of the PwC Review and the information available at the date of approval of these consolidated financial statements, the SRC and the Board believe that the Questionable December Transactions, the Questionable November Transactions and other questionable sales transactions, if any, during the period from January to November in 2011 should have been excluded from this preparation of the consolidated financial statements of the Group for the year ended 31 December 2011 and all significant adjustments in relation to the Unresolved Issues have been put through to adjust the consolidated financial statements for the year ended 31 December 2011 and 2012.

Basis of presentation

The Interim Condensed Consolidated Financial Statements 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 and with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The Interim Condensed Consolidated Financial Statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011. The Interim Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand (RMB'000), except when otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (the "new or revised IFRSs") issued by the IASB.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The above amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Correction of prior periods' errors

As explained in the above, Ausnutria China had recorded certain of its sales in advance of their delivery to customers. Such errors occurred from October 2009. The comparative interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 and 2011 have been restated to correct the errors based on the Management's best estimation. The effect of the restatement on those financial statements is summarised below:

	Effect for the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Decrease in revenue	**(34,194)**	(51,715)
Decrease in cost of sales	**(7,627)**	(21,980)
Decrease in profit before tax	**(26,567)**	(29,735)
Decrease in profit for the period	**(22,550)**	(29,735)
Restated earnings per share attributable to ordinary equity holders of the parent		
– basic and diluted *(RMB)*	**3.19 cents**	2.86 cents

	Effect at 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Increase in deferred tax assets	**4,017**	–
Increase in inventories	**57,012**	60,286
Decrease in trade and bills receivables	**(60,177)**	(67,291)
Increase in tax recoverable	**4,146**	–
Increase in deposits received, other payables and accruals	**117,652**	62,617

The directors consider that the errors did not occur prior to 30 June 2009 and, accordingly, no restatements on those financial statements that were issued for the periods/years ended on or before prior to 30 June 2009 is made.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the six months ended 30 June 2012 as follows:

(a) the Ausnutria segment comprises the manufacturing and sale of own-branded paediatric cow milk formula products in Mainland China and Hong Kong; and

(b) the Ausnutria Hyproca segment comprises the manufacture and sales of dairy products in the Netherlands on a subcontract basis for its customers as well as for the sales of its own-branded products in the PRC and other overseas countries.

For the six months ended 30 June 2011, 2010 and 2009, the Group only had a single operating and reportable segment, which was the Ausnutria segment. During the six months ended 30 June 2011, 2010 and 2009, all the Group's major operations, customers and non-current assets were located in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, as well as unallocated head office and corporate results are excluded from such measurement.

Segment assets exclude cash and cash equivalents, time deposits, held-to-maturity investments, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings as these liabilities are managed on a group basis.

	Six months ended 30 June 2012		
	Ausnutria	**Ausnutria Hyproca**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
SEGMENT REVENUE			
Sales to external customers	**268,213**	**446,512**	**714,725**
Revenue from operations	**268,213**	**446,512**	**714,725**
SEGMENT RESULTS	**64,304**	**42,113**	**106,417**
Reconciliation:			
Interest income			**4,458**
Finance costs			**(2,515)**
Corporate and other unallocated expenses			**(7,363)**
Profit before tax			**100,997**
SEGMENT ASSETS	**304,046**	**521,281**	**825,327**
Reconciliation:			
Elimination of intersegment receivables			**(763)**
Corporate and other unallocated assets			**641,672**
Total assets			**1,466,236**

	Six months ended 30 June 2012		
	Ausnutria	**Ausnutria Hyproca**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
SEGMENT LIABILITIES	**135,799**	**150,304**	**286,103**
Reconciliation:			
Elimination of intersegment payables			**(934)**
Corporate and other unallocated liabilities			**101,195**
Total liabilities			**386,364**
OTHER SEGMENT INFORMATION			
Impairment losses recognised in profit or loss	**9,086**	**4,344**	**13,430**
Depreciation and amortisation	**4,766**	**12,752**	**17,518**
Capital expenditure*	**4,114**	**12,001**	**16,115**

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
The PRC	**328,055**	184,836
The Netherlands	**284,663**	–
Middle East	**31,002**	–
Others	**71,005**	–
	714,725	184,836

The revenue information above is based on the locations of customers.

(b) Non-current assets

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
The PRC	**75,978**	78,234
The Netherlands	**280,936**	291,510
	356,914	369,744

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

During the six months ended 30 June 2012, there was no revenue from a single external customer which accounted for 10% or more of the Group's total revenue (six months ended 30 June 2011, 2010 and 2009: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after deduction of allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)	(Restated)	
REVENUE				
Sale of goods	**714,725**	184,836	242,835	320,972
OTHER INCOME AND GAINS				
Interest income	**4,458**	2,379	1,416	4,054
Interest income on held-to-maturity investments	**3,573**	4,346	2,472	–
Government grants	**636**	331	3,500	200
Others	**2,285**	543	–	293
Total other income and gains	**10,952**	7,599	7,388	4,547

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the revenue for the six months ended 30 June 2012, 2011 and 2010.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Total interest expense on financial liabilities not at fair value through profit or loss	**2,515**	–	1,371	4,181

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)	(Restated)	
Cost of inventories sold	**492,072**	94,819	118,587	184,711
Write-down of inventories to net realisable value	**13,430**	–	–	–
Cost of sales	**505,502**	94,819	118,587	184,711
Depreciation	**14,917**	2,051	1,381	1,239
Amortisation of prepaid land lease payments	**28**	28	28	28
Amortisation of other intangible assets	**2,573**	121	82	34
Minimum lease payments under operating leases:				
Buildings	**1,066**	–	210	210
Loss on disposal of property, plant and equipment	**–**	–	–	16
Auditors' remuneration	**3,301**	423	400	–
Employee benefit expenses (including directors' remuneration):				
Wages, salaries and staff welfare	**64,102**	15,156	11,109	5,953
Pension scheme contributions	**6,454**	961	490	420
	70,556	16,117	11,599	6,373

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the cost of sales for the six months ended 30 June 2012, 2011 and 2010.

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2012 (six months ended 30 June 2011, 2010 and 2009: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. Under the Netherlands income tax laws, enterprises are subject to the Netherlands corporate income tax rate of 20% for the first EURO 200,000 taxable profits and 25% for the taxable profits exceeding EURO 200,000.

Pursuant to the then effective relevant PRC income tax laws and regulations, newly established foreign-invested enterprises that were engaged in manufacturing activities with an operation period over 10 years were eligible to apply for a two-year CIT exemption followed by a three-year 50% CIT rate reduction holiday from the first profit-making year. Ausnutria China was granted the CIT exemption for the two years ended 31 December 2007 and a preferential CIT rate of 12.5% for the three years ended 31 December 2010.

Ausnutria China was designated as a High-tech Enterprise from 2010, and was granted a preferential CIT tax rate of 15% for the three years ended 31 December 2012. In March 2014, the application for the renewal of the designation of Ausnutria China as a High-tech Enterprise has been approved and Ausnutria China is granted the preferential CIT tax rate of 15% for another three years ending 31 December 2015.

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)	(Restated)	
Current charge for the period				
The Netherlands	**11,258**	–	–	–
The PRC	**9,301**	8,536	4,686	21,908
Deferred tax	**126**	(2,329)	(66)	–
Total tax charge for the period	**20,685**	6,207	4,620	21,908

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the income tax for the six months ended 30 June 2012, 2011 and 2010.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 986,843,000 (six months ended 30 June 2011: 1,007,527,580; six months ended 30 June 2010: 1,045,000,000; six months ended 30 June 2009: 800,000,000) in issue during the period.

Earnings

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)	(Restated)	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**65,227**	32,189	29,915	65,161

Shares

	Six months ended 30 June			
	2012	2011	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**986,843,000**	1,007,527,580	1,045,000,000	800,000,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012, 2011, 2010 and 2009 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2012, 2011 and 2010.

9. INVENTORIES

	30 June	31 December		30 June	
	2012	2011	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
			(Restated)	(Restated)	
Raw materials	**102,963**	142,297	90,930	57,762	35,606
Finished goods	**118,163**	116,347	81,779	72,498	8,512
Others	**2,924**	2,970	4,703	2,363	4,001
Total	**224,050**	261,614	177,412	132,623	48,119

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, existence and accuracy of the inventories at 30 June 2012, 31 December 2011, 30 June 2011 and 2010.

10. TRADE AND BILLS RECEIVABLES

	30 June 2012	31 December 2011	30 June 2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Audited)
Trade receivables	**96,354**	119,818	39,909	37,193	8,158
Bills receivable	**19,848**	57,974	20,990	–	16,312
Total	**116,202**	177,792	60,899	37,193	24,470

The Group normally allows a credit period from one month to 12 months (31 December 2011: one month to 12 months; 30 June 2011 (restated) and 2010 (restated): 12 months; 30 June 2009: 3 months) to certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**88,475**	113,622
3 to 6 months	**6,174**	3,591
6 months to 1 year	**1,055**	2,333
Over 1 year	**650**	272
Total	**96,354**	119,818

The carrying amounts of the trade and bills receivables approximate to their fair values.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, existence and accuracy of the trade and bills receivables at 30 June 2012 and 31 December 2011, 30 June 2011 and 2010.

11. CASH AND CASH EQUIVALENTS

	30 June	31 December		30 June	
	2012	2011	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
Cash and bank balances	**161,672**	342,241	438,403	665,264	138,843

At the end of the reporting period, the Group's cash and bank balances denominated in RMB amounted to RMB119,204,000 (31 December 2011: RMB273,908,000; 30 June 2011: RMB318,614,000; 30 June 2010: RMB262,220,000; 30 June 2009: RMB138,829,000). The RMB is not freely convertible in the international market. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to convert RMB into other currencies through banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on published daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June	31 December		30 June	
	2012	2011	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
Within 12 months	**72,866**	84,250	14,365	24,487	12,868
Over 12 months	**7,425**	47	–	–	–
Total	**80,291**	84,297	14,365	24,487	12,868

Trade payables are interest-free and are normally settled within 12 months (31 December 2011: 12 months; 30 June 2011, 2010 and 2009: 45 days).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global dairy market has continued to grow over the past few years, particularly in the People's Republic of China (the "PRC") which was driven by macro factors such as strong economic growth, increasing disposable income and rising rates of urbanisation, as well as industry-specific factors including rising health awareness and consumer preferences.

As one of the key components of the PRC dairy market, the paediatric milk formula market has been expanding rapidly as well. The increasing number of working mothers in the PRC, coupled with the convenience and comprehensive nutritional benefits offered by infant formula products, have resulted in growing popularity among mothers in the PRC to choose infant formulas for their children.

The 2012 Interim Period and the periods thereafter continue to be a complicated and challenging time for the Group. While it is the Board's priority to deal with the Unresolved Issues and to seek for the resumption of trading in the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has taken strategic moves to comply with the New Policies (as defined below) and at the same time to build the Group's upstream production and procurement capability in order to capture the growing markets in the PRC and other overseas markets.

During the 2012 Interim Period, the Group has continued to invest in New IT Systems (as defined below) so as to establish the full tracking systems for its production and distribution, which are now new mandatory requirements under the New Policies (as defined below) in the PRC. In addition, the Group has entered into an agreement with the Medical School of Beijing University to form a 10-year strategic cooperation for the joint research and development of paediatric milk formula for the PRC market. The Group believes that the cooperation with the Medical School of Beijing University will greatly enhance the future research and development capability of the Group by leveraging on the resources of the Medical School of Beijing University as well as the Group.

In addition, the Group has launched a series of new infant formula products which are targeted to penetrate into different sectors of the PRC markets as well as the establishment of joint ventures for the distribution of the Group's goat milk based infant formula in other countries during the 2012 Interim Period and subsequent to the date of the reporting period.

For the 2012 Interim Period, the Group recorded revenue of approximately RMB714.7 million, representing an increase of approximately RMB529.9 million, or approximately 286.7%, from RMB184.8 million (restated) for the 2011 Interim Period.

Gross profit was approximately RMB209.2 million, representing an increase of approximately RMB119.2 million, or 132.4%, over approximately RMB90.0 million (restated) for the 2011 Interim Period. The Group's profit attributable to ordinary equity holders of the parent increased by approximately 102.6% to RMB65.2 million and the basic earnings per share was approximately RMB6.61 cents, representing an increase of approximately RMB3.42 cents (restated) over the 2011 Interim Period.

As for cash flow, net cash inflow from operating activities of the Group was approximately RMB35.3 million for the 2012 Interim Period as compared to the net cash inflow of approximately RMB61.5 million for the 2011 Interim Period.

OUTLOOK

Downstream business

In the Third Plenary Session of the 18th Central Committee of the Communist Party of the PRC, it was announced that the one-child policy which has been in existence for more than thirty years will be relaxed in the PRC where certain provinces and cities, including Beijing, have recently put the new policy into practice.

In early 2013, the PRC government launched a series of new policies (the "New Policies") to improve the national standard for the safety of dairy products which accelerates the consolidation of the paediatric milk powder industry and would eventually lead to the elimination of small and medium enterprises in this industry. In accordance with the circular issued by the China Food and Drug Administration in relation to the Promulgation of the General Principles (the "General Principles") for the Examination of Production Approval for Paediatric Milk Formula Powder (2013 version) (No. 49)(國家食品藥品監督管理總局發佈關於嬰幼兒配方乳粉生產許可審查細則(2013版)的公告(第49號)) promulgated by the PRC government on 16 December 2013, the paediatric milk powder manufacturers in the PRC are required to complete the renewal review process of the production license by 31 May 2014. An application submitted by a manufacturer of paediatric milk formula powder for the renewal of its production license will now be subject to the General Principles which impose more stringent criteria for granting a production license.

The Company is pleased to announce that, on 14 March 2014, Ausnutria China has completed the renewal review process of its production license and has succeeded in obtaining the renewed production license in accordance with the General Principles for another three years up to 13 March 2017. Further details regarding the grant of the production license are set out in the announcement of the Company dated 24 March 2014.

Though the New Policies have created uncertainties and a temporary interruption to the dairy industry in the PRC as distributors are more conservative in placing their orders during this period pending for further clarity and details regarding the execution of the New Policies. The Group believes that the above policies will lead to a boost in the demand for paediatric milk powder, benefiting the paediatric milk powder manufacturers who can meet the national standard under the New Policies, including the Group, in the long run.

Upstream business

Since 2011, the Company has taken strategic moves to build the Group's upstream production and procurement capability and to capture the growing markets in the PRC and globally by acquiring an aggregate of 51% equity interests in Ausnutria Hyproca B.V. ("Ausnutria Hyproca") in 2011 which has international presence (including the PRC, the Netherlands, Russia, the Middle East and the North America markets) and expertise in the international paediatric nutritional products. To facilitate the further integration of the business of Ausnutria Hyproca and its subsidiaries (the "Ausnutria Hyproca Group") into the Group and with an aim to strengthen the management of the Company with international perspectives, on 7 June 2013, the Group entered into a call option agreement (the "COA") with Dutch Dairy Investments B.V. ("DDI") under which Ausnutria Dairy (Dutch) Coöperatief U.A. ("Ausnutria (Dutch)") was granted a call option by DDI and Ausnutria (Dutch) had the right to exercise at its sole discretion to acquire the remaining 49% equity interests in Ausnutria Hyproca to be settled by the issuance of 202,125,000 new Shares (the "COA Shares"), representing approximately 17% of the enlarged issued share capital of the Company. The call option has a life of 12 months from the date of the COA which is extendable for a further 12-month period at the unilateral right of DDI. On the same date, Mr. Bartle van der Meer, one of the shareholders and directors of DDI with ample international experience in banking, investment and paediatric nutritional products, has been appointed as an executive Director and chief executive officer of the Company. Details of the COA and the change of Directors were set out in the announcement of the Company dated 7 June 2013.

On 5 June 2014, DDI has exercised its right to extend the call option for another 12 months to 6 June 2015 in accordance with the terms of the COA as mentioned in the above. Further details regarding the extension of the call option are set out in the announcement of the Company dated 9 June 2014.

The Group believes that the acquisition of Ausnutria Hyproca not only broadens and secures the Group's long term milk supply sources, but also provides a very good platform for the globalisation of the Group's businesses in the long run.

Other policy

Pursuant to the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法) firstly promulgated by the government of the PRC on 28 February 2009, in order to ensure food safety and protect public health, any enterprises engaged in the food related activities (including food processing plants) in the territories of the PRC shall abide this law with effect from 1 June 2009.

Further, in accordance with the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "AQSIQ") (國家質量監督檢驗檢疫總局) (「總局」) Announcement No. 152 on the Administrative Measures Governing the Inspection and Quarantine of Import and Export Dairy Products (進出口乳品檢驗檢疫監督管理辦法，總局第152號令), the AQSIQ Announcement No. 145 on the Provisions on the Administration of Registration of Foreign Enterprises Producing Imported Food (進口食品境外生產企業註冊管理規定，總局第145號令) and the AQSIQ Announcement No. 62, 2013 on the Implementation List for Registration of Foreign Enterprises Producing Imported Food (關於發佈《進口食品生產企業註冊實施目錄》的公告，總局2013年第62號公告), in order to reinforce the inspection and quarantine of import and export of dairy products, unregistered foreign enterprises producing dairy products are forbidden to import their products into the PRC from 8 May 2014 onwards.

The Company is pleased to announce that pursuant to the AQSIQ Announcement No. 51, 2014 on Promulgating the List of First Batch of Registered Overseas Dairy Producers that are Eligible to Export to China (首批進口乳品境外生產企業註冊名單，總局2014年第51號公告), on 6 May 2014, three of the Company's subsidiaries incorporated in the Netherlands that are wholly-owned by Ausnutria Hyproca, namely, (i) Lypack Leeuwarden B.V.; (ii) Hyproca Dairy B.V.; and (iii) Lyempf Kampen B.V., have been included in the first batch of registered overseas dairy products producers that were granted the registrations for importing their products into the PRC. Products approved to be imported into the PRC for the respective companies are as follows:–

Name	**Products approved to be imported into the PRC**
Lypack Leeuwarden B.V.	Infant formula milk powder and fortified formula milk powder
Hyproca Dairy B.V.	Whole milk powder, skimmed milk powder, butter and cream
Lyempf Kampen B.V.	Other milk powder

The granting of the license to the above subsidiaries has further assured and recognised the good quality of the dairy products produced by the Group's factories in the Netherlands.

The Group believes that the New Policies and the success in obtaining the renewed production license of Ausnutria China together with the grant of the import license to the above subsidiaries will create more opportunities and increase the competitiveness which facilitate the future growth of the Group.

In order to cater for the long term growth and demand for paediatric nutritional products, the Group has adopted the following strategies:

Strengthening the management of the customers' and distributors' relationship in the PRC

In 2011, the Group invested in new information systems (the "New IT Systems") including the latest version of the Enterprise Resource Planning (ERP), Customer Data Management (CDM) and Customer Relationship Management (CRM) systems with the assistance of IBM. One of the reasons of setting up these new systems is to provide better services to the Group's customers as well as distributors by implementing a membership program and reward system for the customers and an on-line platform for orders placing and timely monitoring of the account activities with its distributors.

Through the New IT Systems, the Board believes that the Group will be able to establish in the long run a closer relationship with its customers and distributors, understand the consumer behavior and exercise tighter internal controls over the order status of its sales channels.

Continuing the strategy of upward integration

The Board believes that the ability to ensure a stable quality supply of infant formula is one of the critical success factors to the Group. The Group will continue to explore investment opportunities to invest in upstream milk powder related assets and operations in order to broaden the Group's milk powder supply sources, to diversify the Group's risks in this aspect and to ensure a stable quality supply of milk powder to support its business growth.

Increase the production capacity in the Netherlands

The Ausnutria Hyproca Group is located in the Netherlands, where there is ample supply of quality cow and goat milk. The demand for dairy products produced by the Ausnutria Hyproca Group has been increasing over the past years. In order to cater for this increasing demand, the Group approved to advance to the Ausnutria Hyproca Group shareholders' loans of EURO 7.0 million and EURO 10.0 million in June 2013 and December 2013, respectively, to finance the capital expenditure plans, including but not limited to the acquisition of approximately 140,000 square meters of land in the Netherlands for the intended construction of a new factory of the Ausnutria Hyproca Group in Heerenveen, the Netherlands, and the purchases of new machineries (the "CAPEX Plan"). Details of the shareholders' loans are set out in the announcements of the Company dated 7 June 2013 and 5 November 2013, respectively.

Though the CAPEX Plan has a temporary interruption in the production of the Ausnutria Hyproca Group as the two milk production towers were temporarily suspended from productions for a few months in both 2013 and 2014, the production capacity of the Ausnutria Hyproca Group is expected to significantly increase after the CAPEX Plan completed in June 2014.

Launch of goat milk based infant formula and other series of products

The Ausnutria Hyproca Group specialises in the complete chain of collecting fresh Dutch goat milk from farms to finished goods and is a leading producer of goat milk in the world. The Group has commenced the launch of Kabrita Series products in the PRC in the fourth quarter of 2011. In the same year and in 2012, the Group entered into agreements with the Medical School of Beijing University for conducting a series of clinical trials of Kabrita products, the results of which have concluded that goat milk-based powder is better for children than cow milk-based powder in a number of different aspects, including nutrition, the development of immune system, etc.

In October 2013, the Group approved the conducting of the clinical trials for the application of the approval from the FDA for the sale of Kabrita Series of products in the United States.

For the year ended 31 December 2013, the revenue derived from the Kabrita Series of products in the PRC amounted to approximately RMB137.7 million (2012: approximately RMB36.2 million).

The Group has also formed joint ventures with independent third parties for the sales of Kabrita Series products in Russia, the Middle East and the United States and Canada in 2012, 2013 and 2014, respectively. The Group will continue to launch Kabrita Series products in other major countries with an aim to becoming one of the market leaders of goat milk based paediatric nutrition products in the long run, by leveraging on the Ausnutria Hyproca Group's resources in the Netherlands and in North America and the studies and clinical trial results conducted by the Medical School of Beijing University.

In addition, the Group has launched a series of new products under different cow milk infant formula, namely, the Puredo Series and the Hyproca 1897 Series in 2012 and 2013, respectively, which are targeted to penetrate into different sectors of the PRC market.

Despite the increasing market competition of paediatric nutritional products in the world, particularly in the PRC, and the more stringent rules and regulations imposed by the PRC government which has created uncertainties and a temporary interruption on the dairy industry in the PRC, the Board believes that the Group is well positioned to face the challenge ahead and is optimistic about its future.

Strategic cooperation with the Medical School of Beijing University

On 21 March 2012, the Group entered into an agreement with the Medical School of Beijing University to form a 10-year strategic cooperation for the joint research and development of paediatric milk formula for the PRC market. The Group believes that the cooperation with the Medical School of Beijing University will greatly enhance the future research and development capability of the Group by leveraging on the resources of the Medical School of Beijing University as well as the Group.

Strengthen the corporate governance

Last but not the least, the Group will continuously and proactively strengthen its corporate governance so as to establish a solid foundation for future growth and to rebuild the confidence of the shareholders of the Company (the "Shareholders") and potential investors. The Company will use its best endeavors to continue to strive for the highest returns and value to the Shareholders in the long run.

As a result of the above steps taken by the Group subsequent to the reporting period, both sales and operating performance of the Ausnutria Group are gradually picking up and improving in 2013. On the other hand, the operating performance of the Ausnutria Hyproca Group is expected to be temporarily affected due to the constraints of its current production capacity and the temporary interruption caused by the implementation of the CAPEX Plan and certain quality issue with one of its raw material supplement. Subsequent to the reporting period, in July 2012, the Ausnutria Hyproca Group suspended its production temporarily at the request by one of the supplement suppliers (the "Supplier") as one of the raw materials that was previously delivered by the Supplier might have been contaminated. As at the date of this announcement, based on all the lab test results conducted by the internal and external laboratories, no contamination has been found in the products supplied by the Ausnutria Hyproca Group. Besides, no cases indicating that the products sold by the Ausnutria Hyproca Group were contaminated have been reported by the customers since the occurrence of the incident.

As a result of this incidence, the Ausnutria Hyproca Group incurred a loss for the year ended 31 December 2012 amounting to approximately RMB35.0 million (2011 Interim Period: Nil), comprising mainly the write-off of inventories. The net losses attributable to the owners of the Company after tax and deducting the non-controlling interests for the year ended 31 December 2012 amounted to approximately RMB13.7 million (2011 Interim Period: Nil). The Ausnutria Hyproca Group has already commenced the legal actions against the Supplier to recover all the above losses as well as the interruption on its business and operations. The Company is of the view that, after taking into accounts the advices from the lawyers and the insurance company, the Ausnutria Hyproca Group has a very good chance to recover all the above losses from the Supplier ultimately. However, as no concrete settlement has been reached with the Supplier, the potentially recoverable amount has not been recorded in profit and loss.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Audited) (As previously reported*)
REVENUE:				
– Ausnutria Group	**268,213**	184,836	242,835	320,972
– Ausnutria Hyproca Group#	**446,512**	–	–	–
– Group (including the Ausnutria Hyproca Group)	**714,725**	184,836	242,835	320,972

* *No restatement arising from the Adjustments is required to be done.*

\# *Acquired by the Group on 17 October 2011.*

Revenue – Overall

For the 2012 Interim Period, the Group recorded revenue of approximately RMB714.7 million, representing an increase of approximately RMB529.9 million, or approximately 286.7%, from RMB184.8 million (as restated) from the 2011 Interim Period. Excluding the contribution by the Ausnutria Hyproca Group which was consolidated into the financial statements of the Group since 17 October 2011, revenue of the Group (excluding the Ausnutria Hyproca Group) (the "Ausnutria Group") amounted to approximately RMB268.2 million, representing an increase of approximately RMB83.4 million, or approximately 45.1%, from the 2011 Interim Period (as restated). The Group's restated revenue for the 2011 Interim Period represented a decrease of approximately RMB58.0 million (2010 Interim Period: decrease of RMB78.1 million), or approximately 23.9% (2010 Interim Period: decrease by 24.3%), from approximately RMB242.8 million (as restated) from the 2010 Interim Period.

Revenue – Ausnutria Group

During the 2012 Interim Period, A-choice Series, Best-choice Series, Allnutria Series and Allnutria Organic Series, continued to be the major series of paediatric milk formula of the Ausnutria Group which are all imported from overseas and are designed to target consumers for premium products in the PRC.

The increase in the revenue of the Ausnutria Group was mainly due to the improvement in the financial performance of Ausnutria China following the restructuring of its distribution network in 2010/2011 and the continuous increase in demand for infant milk formula in the PRC. The sales performance of the Ausnutria Group has been gradually picking up and improving in 2012.

Revenue – Ausnutria Hyproca Group

The Ausnutria Hyproca Group is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands for own labels as well as under original equipment manufacturing ("OEM") and private label arrangements. The OEM and private label arrangements are serving cow milk dairy products to customers in the Netherlands and other overseas countries, such as the PRC, Taiwan, other European and Middle East countries. The Ausnutria Hyproca Group also sells paediatric milk formula under its own brands (*Kabrita for goat infant formula ("Kabrita")* in the PRC and Russia and *Neolac for cow infant formula* in the PRC). The Ausnutria Hyproca Group is one of the leading producers and distributors of goat milk products in the world.

For additional information, an analysis of the revenue of the Ausnutria Hyproca Group (including and excluding Hyproca Lyempf ^) for the 2012 Interim Period and the 2011 Interim Period (as if it had been acquired since 1 January 2011) is as follows:

	Six months ended 30 June			
	2012	2011	2012	2011
	EURO'000	*EURO'000*	*RMB'000* equivalent	*RMB'000* equivalent
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE:				
– Ausnutria Hyproca Group (excluding Hyproca Lyempf ^)	**37,469**	30,028	307,085	277,568
– Hyproca Lyempf ^	**24,959**	4,573	204,556	42,271
Less: Intercompany transactions	**(7,947)**	(804)	(65,129)	(7,432)
Total revenue of the Ausnutria Hyproca Group (including Hyproca Lyempf ^)	**54,481**	33,797	446,512	312,407

^ *Hyproca Lyempf was incorporated in 2011 for the purpose of acquiring certain distressed assets. The acquisition of the distressed assets was completed on 21 April 2011. Further details of the acquisition of the distressed assets are set out in the circular of the Company dated 23 September 2011.*

The increase in the revenue of the Ausnutria Hyproca Group for the 2012 Interim Period was primarily attributed to the contributions of Hyproca Lyempf and the improvements in the operating performance of the other operating subsidiaries of the Ausnutria Hyproca Group which were driven by the continuously increasing demand for paediatric nutrition products from its customers in the Netherlands and other overseas countries due to the increasing recognition of the good quality of milk supply in the Netherlands.

Gross profit

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)	(Restated)	(As previously reported*)
GROSS PROFIT:				
– Ausnutria Group	**140,328**	90,017	124,248	136,261
– Ausnutria Hyproca Group	**68,895**	–	–	–
– Group (including the Ausnutria Hyproca Group)	**209,223**	90,017	124,248	136,261
	%	*%*	*%*	*%*
GROSS MARGIN:				
– Ausnutria Group	**52.3**	48.7	51.2	42.5
– Ausnutria Hyproca Group	**15.4**	–	–	–
– Group (including the Ausnutria Hyproca Group)	**29.3**	48.7	51.2	42.5

* *No restatement arising from the Adjustments is required to be done.*

Gross profit – Overall

Gross profit for the 2012 Interim Period was approximately RMB209.2 million, representing an increase of approximately RMB119.2 million, or approximately 132.4%, when compared with the 2011 Interim Period (as restated). The gross margin of the Group for the 2012 Interim Period decreased from approximately 48.7% for the 2011 Interim Period (as restated) to approximately 29.3%, primarily due to the change in sales mix after consolidating the results of the Ausnutria Hyproca Group.

Gross profit – Ausnutria Group

Gross profit of the Ausnutria Group for the 2012 Interim Period amounted to approximately RMB140.3 million, representing an increase of approximately RMB50.3 million, or approximately 55.9%, from the 2011 Interim Period (as restated). The gross margin of the Ausnutria Group for the 2012 Interim Period increased from approximately 48.7% for the 2011 Interim Period (as restated) to approximately 52.3%. In 2010/2011, the Ausnutria Group has undergone a restructuring of its sales channel and have granted bigger discounts to its distributors as an incentive for their promotion of the Ausnutria Group's products for the year ended 31 December 2011. In view that the sales of the Ausnutria Group has been gradually improving since the implementation of the above strategies, the Ausnutria Group reduced its discounts granted to distributors during the 2012 Interim Period and the gross profit margin of the Ausnutria Group return back to the 2010 level.

The restated gross profit for the 2010 Interim Period (as restated) was approximately RMB124.2 million, representing a decrease of approximately RMB12.0 million, or approximately 8.8%, when compared with the six months ended 30 June 2009 (the "2009 Interim Period") (as restated). The restated gross margin of the Ausnutria Group for the 2010 Interim Period increased from approximately 42.5% for the 2009 Interim Period (as restated) to 51.2%, primarily due to the launch of the organic series of paediatric nutrition products in the fourth quarter of 2009 which has contributed a comparatively higher gross margin when compared with other products of the Ausnutria Group.

Gross profit – Ausnutria Hyproca Group

The gross profit margin of the Ausnutria Hyproca Group for the 2012 Interim Period was 15.4%. The Hyproca Lyempf had contributed a higher gross profit margin when compared with the other products of the Ausnutria Hyproca Group.

Other income and gains

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(As previously reported*)	(As previously reported*)	(As previously reported*)
Investment income from held-to-maturity investments	**3,573**	4,346	2,472	–
Interest income	**4,458**	2,379	1,416	4,054
Government grants	**636**	331	3,500	200
Others	**2,285**	543	–	293
	10,952	7,599	7,388	4,547

* *No restatement arising from the Adjustments is required to be done.*

Selling and distribution costs

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(As previously reported*)	(As previously reported*)	(As previously reported*)
Ausnutria Group				
– Advertising and promotion	**27,044**	17,640	59,867	33,330
– Others	**31,855**	21,465	15,514	11,387
	58,899	39,105	75,381	44,717
Ausnutria Hyproca Group	**17,417**	–	–	–
The Group	**76,316**	39,105	75,381	44,717

* *No restatement arising from the Adjustments is required to be done.*

Selling and distribution costs mainly comprised advertising and promotion expense, salaries and travelling costs of the sales and marketing staff and delivery costs. Selling and distribution costs represented approximately 10.7%, 21.2% (restated), 31.0% (restated) and 13.9% of revenue for the 2012 Interim Period, the 2011 Interim Period, the 2010 Interim Period and the 2009 Interim Period, respectively.

Excluding the selling and distribution costs that was attributed to the Ausnutria Hyproca Group of approximately RMB17.4 million (2011 Interim Period: Nil; 2010 Interim Period: Nil; 2009 Interim Period: Nil), selling and distribution costs of the Ausnutria Group for the 2012 Interim Period remains stable and represented approximately 22.0% of revenue when compared with the 2011 Interim Period of 21.2%.

The selling and distribution costs of the Ausnutria Hyproca Group represented approximately 3.9% of the Ausnutria Hyproca Group's revenue for the 2012 Interim Period. Included in the selling and distribution costs of the Ausnutria Hyproca Group, approximately 38.6% was related to the sales and marketing costs of the Kabrita Series of products that were launched in the PRC in the fourth quarter of 2011.

Administrative expenses

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(As previously reported*)	(As previously reported*)	(As previously reported*)
Ausnutria Group	**25,641**	14,116	11,430	4,720
Ausnutria Hyproca Group	**11,169**	–	–	–
The Group	**36,810**	14,116	11,430	4,720

* *No restatement arising from the Adjustments is required to be done.*

Administrative expenses mainly comprised staff costs, travelling expenses, auditors' remuneration, professional fees, depreciation and research and development costs.

The increase in the administrative expenses was primarily attributed to (i) the increase in staff costs as a result of the general increase in salary; (ii) the increase in depreciation charges on the Group's new information technology system which was put into use since the fourth quarter of 2011; (iii) the increase in depreciation charges on buildings and leasehold improvements after Ausnutria China relocated its office from the factory to its existing office premises in late 2011 and early 2012; and the consolidation effect of the Ausnutria Hyproca Group.

Other expenses

Other expenses for the 2012 Interim Period mainly comprised legal and professional fees incurred as a result of the Unresolved Issues of a total of approximately RMB2.1 million (2011 Interim Period: Nil; 2010 Interim Period: Nil; 2009 Interim Period: Nil).

Finance costs

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(As previously reported*)	(As previously reported*)	(As previously reported*)
Ausnutria Group	**–**	–	1,371	4,181
Ausnutria Hyproca Group	**2,515**	–	–	–
The Group	**2,515**	–	1,371	4,181

* *No restatement arising from the Adjustments is required to be done.*

The finance costs for the 2012 Interim Period amounted to approximately RMB2.5 million, representing the interest on bank and other borrowings that were attributable to the Ausnutria Hyproca Group.

The finance costs for the 2009 Interim Period and the 2010 Interim Period of approximately RMB4.2 million and RMB1.4 million, respectively, represented interest on a bank loan of RMB350 million from China Construction Bank that was fully repaid on 22 January 2010. The Ausnutria Group did not have any bank borrowings for the 2011 Interim Period.

Income tax expenses

The profits generated by the Group were mainly derived from operations in the PRC and the Netherlands. Under the PRC income tax laws, enterprises are subject to corporate income tax (the "CIT") at a rate of 25%. Ausnutria China was designated as a High-tech Enterprise in 2010 and was granted a preferential CIT tax rate of 15% for the three years ended 31 December 2012. Further, the CIT rate of Ausnutria China for the Year 2010 and Year 2009 was 12.5% as Ausnutria China was entitled to a 50% CIT reduction holiday during those two years. All other subsidiaries established in the PRC are subject to the standard CIT rate of 25%. The standard CIT rate in the Netherlands was applied at 20% for the first EURO 200,000 taxable profits and 25% for the taxable profits exceeding EURO 200,000.

In March 2014, Ausnutria China succeeded in renewing its High-tech Enterprise qualification, upon which Ausnutria China will continue to entitle to the preferential CIT tax rate of 15%, for another three years from 1 January 2013.

An analysis of the effective tax rate is as follow:

		Six months ended 30 June		
	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(Restated)	(Restated)	(As previously reported*)
	%	*%*	*%*	*%*
Effective income tax rate				
– Ausnutria Group	**16.4**	16.2	13.4	25.2
– Ausnutria Hyproca Group	**26.7**	N/A	N/A	N/A
– The Group	**20.5**	16.2	13.4	25.2

* *No restatement arising from the Adjustments is required to be done.*

The increase in the effective income tax rate of the Group for the 2012 Interim Period was primarily due to the consolidation effect of the Ausnutria Hyproca Group which the profit was subject to a higher CIT rate as it was derived mainly from operations in the Netherlands.

The effective income tax rate of the Ausnutria Group for the 2012 Interim Period was slightly higher than the preferential CIT tax rate and that was primarily due to losses derived from operations of the Company in relation to professional fees incurred for the handling of the Unresolved Issues and other office administrative expenses which were not tax deductible. The slightly higher than the preferential tax rate for the 2011 and the 2010 Interim Period was due to the overpayment of CIT in the 2011 Interim Period and the 2010 Interim Period arising from the Unresolved Issues, which may not be recoverable.

The effective income tax rate of the Ausnutria Hyproca Group of approximately 26.7% was in line with the standard CIT rate in the Netherlands.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders of the Company for the 2012 Interim Period amounted to approximately RMB65.2 million, representing an increase of approximately 102.6% when compared with the 2011 Interim Period. The increase in net profit was mainly contributed by the growth in the operating performance of Ausnutria China and the contribution of operating profit by the Ausnutria Hyproca Group for the 2012 Interim Period of approximately RMB15.1 million (2011 Interim Period: Nil).

Analysis on Consolidated Statement of Financial Position

Non-current assets

As at 30 June 2012, the total non-current assets of the Group amounted to approximately RMB378.3 million (31 December 2011: approximately RMB392.6 million), mainly comprised property, plant and equipment of approximately RMB245.6 million (31 December 2011: approximately RMB251.6 million), goodwill arising from the acquisition of Ausnutria Hyproca of approximately RMB79.9 million (31 December 2011: approximately RMB82.9 million), other intangible assets of approximately RMB29.3 million (31 December 2011: approximately RMB31.3 million) and deferred tax assets of approximately RMB21.4 million (31 December 2011: approximately RMB22.9 million).

The decrease in the total non-current assets position of the Group as at 30 June 2012 when compared with 31 December 2011 was mainly due to the depreciation of EURO which has resulted in the decease in the total non-current assets position from the translation of the financial statements of the Ausnutria Hyproca Group that were denominated in EURO into RMB.

Current assets

As at 30 June 2012, the total current assets of the Group amounted to approximately RMB1,087.9 million (31 December 2011: approximately RMB1,144.9 million), mainly comprised inventories of approximately RMB224.1 million (31 December 2011: approximately RMB261.6 million), trade receivables of approximately RMB96.4 million (31 December 2011: approximately RMB119.8 million), bills receivable of approximately RMB19.8 million (31 December 2011: approximately RMB58.0 million), held-to-maturity investments of RMB60.0 million (31 December 2011: RMB200.0 million), time deposits with banks in the PRC of RMB420.0 million (31 December 2011: RMB110.0 million) and cash and cash equivalents of approximately RMB161.7 million (31 December 2011: approximately RMB342.2 million).

Inventories

	30 June	31 December		30 June	
	2012	2011	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Audited)
Ausnutria Group	**100,902**	165,169	177,412	132,623	48,119
Ausnutria Hyproca Group	**123,148**	96,445	–	–	–
	224,050	261,614	177,412	132,623	48,119

The decrease in inventories as at 30 June 2012 was primarily attributed to the decrease in inventory level of the Ausnutria Group. Excluding the impact of the Ausnutria Hyproca Group, the inventory turnover days of the Ausnutria Group as at 30 June 2012 was approximately 191 days (31 December 2011: approximately 238 days). The Ausnutria Group normally requires to place its purchase orders with suppliers three to six months in advance of delivery. As a result of the lower than expected demand and hence sales in the PRC in the fourth quarter of 2011, the inventory level reached a comparatively high level as at 31 December 2011. Since 2012, the Group adopted a more prudent approach in placing its orders with distributors so as to digest the inventories carry forward from 2011, the inventory level gradually return to its normal level and the inventory turnover days as at 30 June 2012 decreased by 47 days when compared with 31 December 2011.

The inventory turnover days of the Ausnutria Hyproca Group as at 30 June 2012 was approximately 53 days and was in line with the stock planning arrangement.

Trade and bills receivables

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)	30 June 2011 *RMB'000* (Unaudited) (Restated)	30 June 2010 *RMB'000* (Unaudited) (Restated)	2009 *RMB'000* (Audited)
Trade receivables					
– Ausnutria Group	**32,779**	22,600	39,909	37,193	8,158
– Ausnutria Hyproca Group	**63,575**	97,218	–	–	–
Bills receivables	**19,848**	57,974	20,990	–	16,312
	116,202	177,792	60,899	37,193	24,470

The decrease in trade and bills receivables as at 30 June 2012 was mainly attributable to the decrease in bills receivable and trade receivables of the Ausnutria Hyproca Group as at 30 June 2012 of approximately RMB38.1 million and approximately RMB33.6 million, respectively when compared with 31 December 2011.

The trade receivable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2012 was approximately 19 days (31 December 2011: approximately 23 days) and approximately 33 days (31 December 2011: approximately 34 days), respectively, which remained fairly stable and were in line with the credit periods granted by the Group to its customers.

Held-to-maturity investments

The balance as at 30 June 2012 represented an entrusted loans investment of RMB60.0 million (31 December 2011: RMB200.0 million), maturing on 25 April 2013. The decrease in held-to-maturity investments was because the Group has adopted a more prudent treasury approach since then and switching from investments in entrusted loans to time deposits with reputable financial institutions in the PRC instead.

Time deposits and cash and cash equivalents

As at 30 June 2012, the Group's cash and bank balances and time deposits amounted to approximately RMB581.7 million, representing an increase of approximately RMB129.5 million or approximately 28.6% from RMB452.2 million as at 31 December 2011, of which approximately HK$240.8 million (31 December 2011: approximately HK$250.9 million) represented the unutilised portion of the proceeds from the IPO.

The increase in time deposits and cash and cash equivalents was mainly due to the change in the treasury strategy of the Group by switching a portion of the investment in the entrusted loans of RMB140.0 million to time deposits.

Current liabilities

As at 30 June 2012, the total current liabilities of the Group amounted to approximately RMB306.6 million (31 December 2011: approximately RMB441.6 million), mainly comprised trade payables of approximately RMB80.3 million (31 December 2011: approximately RMB84.3 million), other payables and accruals of approximately RMB155.4 million (31 December 2011: approximately RMB259.5 million) and interest-bearing bank loans and other borrowings of approximately RMB62.3 million (31 December 2011: approximately RMB91.4 million).

Trade payables

	30 June 2012	31 December 2011	30 June 2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
Ausnutria Group	**21,632**	21,321	14,365	24,487	12,868
Ausnutria Hyproca Group	**58,659**	62,976	–	–	–
	80,291	84,297	14,365	24,487	12,868

The trade payables of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2012 remained fairly stable when compared with 31 December 2011. The trade payable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2012 was approximately 31 days (31 December 2011: approximately 25 days) and approximately 29 days (31 December 2011: approximately 26 days), respectively. The slight increase in the trade payable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group was a result of the increase in average credit periods granted by the major suppliers due to the increase in quantity of raw materials purchased by the Group.

Other payables and accruals

Other payables and accruals as at 30 June 2012 mainly represented advances and deposits from customers of a total of approximately RMB65.1 million (31 December 2011: approximately RMB151.4 million), deferred income of RMB39.7 million (31 December 2011: approximately RMB39.4 million) and accrued salaries and welfare of approximately RMB10.9 million (31 December 2011: approximately RMB19.5 million).

In prior years/periods, Ausnutria China evaluated the performance of its distributors partly based on the amount of funds received from its distributors to be determined on an annual basis. In order to meet the annual target set out between Ausnutria China and its respective distributors, some of the distributors would advance cash to Ausnutria China in order to meet their targets particularly near the year end period so as to enjoy bigger sales target incentives and/or greater marketing support from Ausnutria China in the following year. The orders placed by the distributors and the actual physical delivery of the products to the distributors would depend on their then inventory level and the expected upcoming sales of respective distributors from time to time. As a result of the relatively lower amount of revenue being recognised in the Year 2011 when compared with the amount of funds received, the amount of advances from distributors (i.e. customers) relatively increased. Commencing from 2012, Ausnutria China has revised the policy with its distributors whereby the performance of its distributors were measured based on the value of goods dispatched. As a result of the above change in evaluation policy, the advances made by distributors as at 30 June 2012 decreased when compared with 31 December 2011.

Interest-bearing bank loans and other borrowings

The interest-bearing bank loans and other borrowings as at 30 June 2012 and 31 December 2011 were all attributed to the Ausnutria Hyproca Group for the financing of its daily working capital and capital expenditures.

The Group did not have any interest-bearing bank loans and other borrowings as at 30 June 2011, 2010 and 2009.

Non-current liabilities

As at 30 June 2012, the total non-current liabilities of the Group amounted to approximately RMB79.8 million (31 December 2011: approximately RMB85.3 million), mainly comprised interest-bearing bank loans and other borrowings of approximately RMB38.9 million (31 December 2011: approximately RMB42.7 million), accruals for defined benefit plan of approximately RMB13.2 million (31 December 2011: approximately RMB13.2 million), deferred tax liabilities of approximately RMB27.3 million (31 December 2011: approximately RMB28.9 million) and other liabilities of approximately RMB0.4 million (31 December 2011: approximately RMB0.5 million).

The Group did not have any non-current liabilities as at 30 June 2011, 2010 and 2009.

Non-controlling interests

The balance represented the 49% equity interests in Ausnutria Hyproca owned by DDI and the approximately 8.4% equity interests in Hyproca Lyempf that was owned by an independent third party.

Subsequent to 30 June 2012, on 19 October 2012, the Ausnutria Hyproca Group acquired the remaining approximately 8.4% equity interests in Hyproca Lyempf at a consideration of EURO 2.8 million (equivalent to approximately RMB22.8 million).

The Group did not have any non-controlling interests as at 30 June 2011, 2010 and 2009.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

There were no material investments and acquisitions and disposals of subsidiaries and associated companies during the 2012 Interim Period.

FINANCIAL RESOURCES, LIQUIDITY AND PLEDGE OF ASSETS

The Group adopts conservative financial management policies. A summary of liquidity and financial resources is set out below:

	30 June 2012	31 December 2011	2011	30 June 2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Audited)
Cash and cash equivalents	**161,672**	342,241	438,403	665,264	138,843
Time deposits	**420,000**	110,000	–	–	–
Total bank loans and other borrowings	**101,195**	134,055	–	–	–
Total assets	**1,466,236**	1,537,490	1,150,719	1,206,949	287,946
	%	*%*	*%*	*%*	*%*
Gearing ratio	**6.9**	8.7	N/A	N/A	N/A

As at 30 June 2012, the Ausnutria Hyproca Group had pledged its land and buildings, plant and machineries, inventories and trade receivables with a total carrying value of EURO 41.4 million (equivalent to approximately RMB325.5 million) (31 December 2011: EURO 41.5 million (equivalent to approximately RMB338.9 million); 31 December 2010 and 2009: Nil) for the banking facilities granted to the Ausnutria Hyproca Group.

COMMITMENTS

As at 30 June 2012, the Group, as lessee, had total future minimum lease payments under non-cancellable operating leases amounting to approximately RMB4,067,000 (31 December 2011: RMB389,000; 31 December 2010: RMB402,000; 31 December 2009: RMB420,000).

As at 30 June 2012, the Group had contracted, but not provided for, capital commitments in respect of leasehold improvements and the purchase of plant and machineries amounted to approximately RMB4,221,000 (31 December 2011: RMB8,239,000; 31 December 2010 and 2009: Nil).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011, 2010 and 2009: Nil).

USE OF PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on 8 October 2009 with net proceeds from the global offering of the Shares of approximately HK$823.1 million (after deducting underwriting commissions and related expenses) (the "Net IPO Proceeds").

The use of the Net IPO Proceeds from the global offering up to 30 June 2012 was as follows:

	As stated in the prospectus* **_HK$'000_**	Utilised _HK$'000_	Balance as at 30 June 2012 _HK$'000_
Invest in upstream operations	**246,930**	(164,416)	82,514
Expand the Group's distribution network and brand building	**246,930**	(219,591)	27,339
Enhance the Group's research and development efforts	**82,310**	(28,388)	53,922
Introduce new series of organic paediatric nutrition products	**82,310**	(61,346)	20,964
Establish new production lines and warehouse	**82,310**	(26,244)	56,066
General working capital	**82,310**	(82,310)	–
	823,100	(582,295)	240,805

The unused Net IPO Proceeds balance was deposited in reputable financial institutions in the PRC.

* *The Directors intend to apply the remaining Net IPO Proceeds in the manner as stated in the prospectus of the Company dated 24 September 2009 (the "Prospectus") and as subsequently amended as set out in the announcement of the Company dated 8 September 2010 to place the utilised portion of the Net IPO Proceeds in short term deposits and short term treasury products with licensed banks and authorised financial institutions in Hong Kong and in the PRC.*

HUMAN RESOURCES

As at 30 June 2012, the Group has 942 (31 December 2011: 823; 30 June 2011: 528; 30 June 2010: 474; 30 June 2009 : 272) full time employees.

For the 2012 Interim Period, total employee costs, including directors' emoluments, amounted to approximately RMB70.6 million (2011 Interim Period: approximately RMB16.1 million; 2010 Interim Period: approximately RMB11.6 million; 2009 Interim Period: approximately RMB6.4 million), of which approximately RMB41.7 million (2011 Interim Period, 2010 Interim Period and 2009 Interim Period: Nil) were attributed to the Ausnutria Hyproca Group. The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale.

The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong and various plans in either defined benefit or defined contribution arrangements for the retirement benefits of its employees in the Netherlands. The Group also provides various welfare schemes as required by the applicable local laws and regulations to its employees in the PRC.

DIVIDEND DISTRIBUTION

The Directors do not recommend a payment of an interim dividend for the 2012 Interim Period (2011, 2010 and 2009 Interim Periods: Nil).

SHARE OPTION SCHEME

On 19 September 2009, the Company adopted a share option scheme (the "Scheme"), whereby the Board is empowered to grant options to eligible persons, including directors, employees and advisers of the Group, to subscribe for the Shares.

As at the date of this announcement, no option has been granted or agreed to be granted under the Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Shares during the 2012 Interim Period and up to the date of this announcement.

CORPORATE GOVERNANCE

The Board is committed to raising the standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group to safeguard the interests of the Shareholders and improve its performance.

The Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to Corporate Governance Code (the "New CG Code") effective from 1 April 2012. The Board strives to implement the best practices embodies in the CG Code/New CG Code where feasible and as far as practicable.

In the opinion of the Directors, the Company has complied with the respective code provisions of the CG Code/New CG Code during the 2012 Interim Period and up to the date of this announcement, except for the following deviations:

1) Delay in publishing the financial reports and convening annual general meetings

As a result of the Unresolved Issues, the Group has breached the financial reporting provisions under the Listing Rules in (i) announcing the annual/interim results and reports for the years ended 31 December 2012 and 2013 and for the six-month periods ended 30 June 2012 and 2013; and (ii) convening an annual general meeting for the financial years ended 31 December 2012 and 2013.

2) Code provision A.1.8

Under code provision A.1.8 of the New CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors.

On 26 September 2013, the Company's previous insurance company informed the Company that the directors and officers liability insurance, which was going to lapse on 7 October 2013, would not be renewed as a result of the suspension of trading in the Shares on the Stock Exchange (the "Suspension") and the insurance company was not in a position to undertake a full assessment for the risk exposure. On 7 January 2014, the Company has already entered into a new directors and officers liability insurance with another insurance company.

3) Code Provision A.2.7

Under code provision A.2.7 of the New CG Code, the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present.

On 1 November 2013, a meeting had been held among the chairman and the non-executive Director (including the independent non-executive Directors) without the other executive Directors present, to discuss, among other things, the status in relation to the Suspension and the latest development of the Group. No such meeting has been held during the 2012 Interim Period and up to 31 October 2013.

4) Code provisions A.6.7 and E.1.2

Under code provision A.6.7 of the New CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. In addition, code provision E.1.2 of the New CG Code provides that the chairman of the board should attend the annual general meeting.

As referred to the section headed "Delay in publishing the financial reports and convening annual general meetings" above, the Company will convene an annual general meeting for the financial years ended 31 December 2012 and 2013 as soon as practicable.

Resignation of non-executive Director

Mr. Dai Li ("Mr. Dai") resigned as the non-executive Director of the Company with effect from 4 March 2014 due to his personal commitments as a professor in a university. Mr. Dai agreed to remain as a consultant of the Company upon his resignation as the non-executive Director and work for the Company on a part time basis focusing on projects in relation to the future business development of the Group, particularly in the Netherlands.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the 2012 Interim Period and up to the date of this announcement.

AUDIT COMMITTEE

The Company's audit committee comprises three independent non-executive Directors, namely, Mr. Chan Yuk Tong, Mr. Qiu Weifa and Mr. Jason Wan. The audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the 2012 Interim Period including the accounting principles and practices adopted by the Group and discussed with the management of the Company on matters relating to auditing, internal controls and financial reporting.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company for the 2012 Interim Period, which contains the detailed results and other information of the Company for the 2012 Interim Period required pursuant to Appendix 16 to the Listing Rules, will be despatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ausnutria.com.hk in due course. This announcement can also be accessed on the above websites.

By order of the Board
Ausnutria Dairy Corporation Ltd
Yan Weibin
Chairman

Changsha City, the People's Republic of China, 27 June 2014

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung, and three independent non-executive directors, namely Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong.