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 2013

FINANCIAL HIGHLIGHTS

	2013 *RMB'M*	2012 *RMB'M*	*% of Change*
Revenue	**797.3**	714.7	11.6
Gross profit	**232.7**	209.2	11.2
Profit for the period (before non-controlling interests)	**67.9**	80.3	-15.4
Profit for the period (after non-controlling interests)	**62.7**	65.2	-3.9
Basic earnings per share *(RMB cents)*	**6.35**	6.61	-3.9

For the six months ended 30 June 2013 (the "2013 Interim Period"), Ausnutria Dairy Corporation Ltd (the "Company") and it subsidiaries (the "Group") recorded the followings:

- Revenue for the 2013 Interim Period amounted to approximately RMB797.3 million, representing an increase of approximately RMB82.6 million from approximately RMB714.7 million for the corresponding period in 2012.

- Profit for the 2013 Interim Period before non-controlling interests amounted to approximately RMB67.9 million, representing a decrease of approximately RMB12.4 million from approximately RMB80.3 million for the corresponding period in 2012.

- Profit for the 2013 Interim Period after non-controlling interests amounted to approximately RMB62.7 million, representing a decrease of approximately RMB2.5 million from approximately RMB65.2 million for the corresponding period in 2012.

- Basic earnings per share decreased from approximately RMB6.61 cents in 2012 to approximately RMB6.35 cents for the 2013 Interim Period, representing a decrease of approximately 3.9%.

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited financial results of the Company and the Group for the 2013 Interim Period together with the comparative figures for the corresponding period in 2012 (the "2012 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 2013

		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**797,306**	714,725
Cost of sales		**(564,572)**	(505,502)
Gross profit		**232,734**	209,223
Other income and gains	*4*	**13,544**	10,952
Selling and distribution costs		**(109,925)**	(76,316)
Administrative expenses		**(44,075)**	(36,810)
Other expenses		**(8,063)**	(3,537)
Finance costs	*5*	**(2,901)**	(2,515)
Profit before tax	*6*	**81,314**	100,997
Income tax expense	*7*	**(13,403)**	(20,685)
PROFIT FOR THE PERIOD		**67,911**	80,312
Attributable to:			
Owner of the parent		**62,703**	65,227
Non-controlling interests		**5,208**	15,085
		67,911	80,312
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– basic and diluted *(RMB)*	*8*	**6.35 cents**	6.61 cents

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**67,911**	80,312
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8,213)**	(11,067)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(8,213)**	(11,067)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement income on defined benefit plans	**1,043**	–
Income tax effect	**(261)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**782**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(7,431)**	(11,067)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**60,480**	69,245
Attributable to:		
Owner of the parent	**56,825**	59,317
Non-controlling interests	**3,655**	9,928
	60,480	69,245

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**283,640**	264,290
Prepaid land lease payments		**2,114**	2,142
Goodwill		**81,785**	84,466
Other intangible assets		**33,914**	30,107
Deferred tax assets		**23,260**	25,285
Total non-current assets		**424,713**	406,290
CURRENT ASSETS			
Inventories	*9*	**283,241**	190,935
Trade and bills receivables	*10*	**136,945**	141,297
Prepayments, deposits and other receivables		**93,430**	77,330
Held-to-maturity investment		**–**	60,000
Tax recoverable		**22,346**	9,797
Pledged deposits	*11*	**123,300**	–
Time deposits	*11*	**490,000**	420,000
Cash and cash equivalents	*11*	**208,046**	282,714
Total current assets		**1,357,308**	1,182,073
CURRENT LIABILITIES			
Trade payables	*12*	**126,668**	104,698
Other payables and accruals		**251,250**	229,654
Derivative financial instruments		**838**	1,129
Interest-bearing bank loans and other borrowings		**182,552**	95,555
Tax payable		**17,889**	9,524
Total current liabilities		**579,197**	440,560
NET CURRENT ASSETS		**778,111**	741,513
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,202,824**	1,147,803

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**35,695**	39,007
Defined benefit plan	**16,478**	17,417
Deferred tax liabilities	**25,328**	27,552
Total non-current liabilities	**77,501**	83,976
Net assets	**1,125,323**	1,063,827
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**86,866**	86,866
Reserves	**957,491**	900,666
	1,044,357	987,532
Non-controlling interests	**80,966**	76,295
Total equity	**1,125,323**	1,063,827

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

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 in 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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 2012. 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 2012, except for the adoption of new standards and interpretations as of 1 January 2013, 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 – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of the new and revised standards and interpretations resulted in changes to accounting policies, but did not have significant impact on the financial position or performance of the Group.

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 2013 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.

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, pledged deposits, time deposits, held-to-maturity investment, 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.

	Ausnutria RMB'000	Ausnutria Hyproca RMB'000	Total RMB'000
Six months ended 30 June 2013 (unaudited)			
SEGMENT REVENUE			
Sales to external customers	**282,197**	**515,109**	**797,306**
Intersegment sales	**–**	**9,236**	**9,236**
	282,197	**524,345**	**806,542**
Reconciliation:			
Elimination of intersegment sales			**(9,236)**
Revenue from operations			**797,306**
SEGMENT RESULTS	**63,856**	**19,819**	**83,675**
Reconciliation:			
Interest income			**10,012**
Finance costs			**(2,901)**
Corporate and other unallocated expenses			**(9,472)**
Profit before tax			**81,314**
OTHER SEGMENT INFORMATION			
Impairment losses written back in the profit or loss	**–**	**(1,599)**	**(1,599)**
Depreciation and amortisation	**4,414**	**13,945**	**18,359**
Capital expenditure*	**2,645**	**46,224**	**48,869**
As at 30 June 2013 (unaudited)			
SEGMENT ASSETS	**331,987**	**608,800**	**940,787**
Reconciliation:			
Elimination of intersegment receivables			**(8,642)**
Corporate and other unallocated assets			**849,876**
Total assets			**1,782,021**
SEGMENT LIABILITIES	**124,205**	**322,888**	**447,093**
Reconciliation:			
Elimination of intersegment payables			**(8,642)**
Corporate and other unallocated liabilities			**218,247**
Total liabilities			**656,698**

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

	Ausnutria *RMB'000*	Ausnutria Hyproca *RMB'000*	Total *RMB'000*
Six months ended 30 June 2012 (unaudited)			
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
OTHER SEGMENT INFORMATION			
Impairment losses recognised in the 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
As at 31 December 2012 (audited)			
SEGMENT ASSETS	221,269	576,106	797,375
Reconciliation:			
Elimination of intersegment receivables			(586)
Corporate and other unallocated assets			791,574
Total assets			1,588,363
SEGMENT LIABILITIES	163,585	226,975	390,560
Reconciliation:			
Elimination of intersegment payables			(586)
Corporate and other unallocated liabilities			134,562
Total liabilities			524,536

* *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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**362,365**	328,055
European Union	**276,429**	284,663
Middle East	**45,620**	31,002
Australia and New Zealand	**40,523**	7,100
Others	**72,369**	63,905
	797,306	714,725

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

(b) Non-current assets

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The PRC	**76,892**	76,747
The Netherlands	**324,561**	304,258
	401,453	381,005

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 2013, 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 2012: 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE		
Sale of goods	**797,306**	714,725
OTHER INCOME AND GAINS		
Interest income	**10,012**	4,458
Investment income from a held-to-maturity investment	**2,564**	3,573
Government grants	**305**	636
Others	**663**	2,285
Total other income and gains	**13,544**	10,952

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total interest expense on financial liabilities not at fair value through profit or loss	**2,901**	2,515

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**566,171**	492,072
Write-down/(reversal of write-down) of inventories to net realisable value	**(1,599)**	13,430
Cost of sales	**564,572**	505,502
Depreciation	**15,125**	14,917
Amortisation of prepaid land lease payments	**28**	28
Amortisation of other intangible assets	**3,206**	2,573
Minimum lease payments under operating leases:		
Buildings	**1,480**	1,066
Auditors' remuneration	**2,250**	3,301
Professional fees	**6,354**	2,052
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and staff welfare	**95,939**	64,102
Pension scheme contributions	**6,845**	6,454
	102,784	70,556

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 2013 (six months ended 30 June 2012: 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.

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, 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.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current charged for the period		
The Netherlands	**4,991**	11,258
The PRC	**8,932**	9,301
Deferred tax	**(520)**	126
Total tax charge for the period	**13,403**	20,685

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 2012: 986,843,000) in issue during the period.

Earnings

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**62,703**	65,227

Shares

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**986,843,000**	986,843,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2013 and 2012 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

9. INVENTORIES

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Raw materials	**131,016**	74,899
Finished goods	**149,189**	114,261
Others	**3,036**	1,775
Total	**283,241**	190,935

10. TRADE AND BILLS RECEIVABLE

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Trade receivables	**110,863**	122,615
Bills receivables	**26,082**	18,682
Total	**136,945**	141,297

The Group normally allows a credit period from one month to 12 months (31 December 2012: one month to 12 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 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Within 3 months	**98,716**	107,476
3 to 6 months	**4,143**	6,927
6 months to 1 year	**8,004**	4,648
Over 1 year	**–**	3,564
Total	**110,863**	122,615

There was no provision for impairment as of 30 June 2013 (31 December 2012: Nil). The carrying amounts of the trade and bills receivables approximate to their fair values.

11. CASH AND CASH EQUIVALENTS

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Cash and bank balances	**208,046**	282,714
Time deposits	**613,300**	420,000
	821,346	702,714
Less: Pledged deposits	**(123,300)**	–
Non-pledged time deposits with maturity of between 3 months to 12 months	**(490,000)**	(420,000)
Cash and cash equivalents in the consolidated statement of financial position	**208,046**	282,714

At 30 June 2013, the Group's cash and bank balances denominated in RMB amounted to RMB158,846,000 (31 December 2012: RMB248,204,000). In addition, all the Group's time deposits were denominated in RMB. 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 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Within 12 months	**126,650**	104,689
Over 12 months	**18**	9
Total	**126,668**	104,698

Trade payables are interest-free and are normally settled within 12 months (31 December 2012: 12 months).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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.

In order to maintain a healthy growth in the industry and to improve the quality standards of paediatric milk formula, the PRC government has launched a series of new policies (the "New Policies") to improve the national standard for the safety of dairy products, including but not limited to the raising of the standards on the grant/renewal of the production license of the paediatric milk powder manufacturers in the PRC; the requirement for the establishment of full tracking systems by paediatric milk powder manufacturers from the production to distribution of paediatric milk powder in the PRC; and the requirement to obtain the registration of dairy products by foreign enterprises, which are now governed by a more stringent set of new rules and regulations, before their products can be imported into the PRC.

As a result of the above, the six-month period ended 30 June 2013 (the "2013 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 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.

In recent years, the Group 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 in the PRC. In addition, the Group has launched a new cow milk infant formula, namely the Hyproca 1897 series, which are targeted to penetrate into the high-end sector of the PRC market as well as the continue in the establishment of joint ventures for the distribution of the Group's goat milk based infant formula in the other countries during the 2013 Interim Period.

In recent years, paediatric milk formula powder brands with high quality raw milk sourced from overseas have gained increasing market shares. The increase in the demand of high quality paediatric milk formula sourced from overseas have also contributed to the increase in the demand of the dairy products produced by Ausnutria Hyproca B.V. ("Ausnutria Hyproca"), a 51%-owned subsidiary of the Company, and its subsidiaries (the "Ausnutria Hyproca Group"), which was acquired by the Group in 2011 with milk source and production facilities based in the Netherlands. The Group will continue to invest in the Ausnutria Hyproca Group in order to increase its production capacity and to enhance the quality standards of the dairy products produced by the Ausnutria Hyproca Group.

For the 2013 Interim Period, the Group recorded revenue of approximately RMB797.3 million, representing an increase of approximately RMB82.6 million or approximately 11.6% when compared with the 2012 Interim Period.

The Group's gross profit was approximately RMB232.7 million for the 2013 Interim Period, representing an increase of approximately RMB23.5 million or 11.2% over approximately RMB209.2 million for the 2012 Interim Period. The Group's profit attributable to ordinary equity holders of the parent decreased by approximately 3.9% to approximately RMB62.7 million and the basic earnings per share was approximately RMB6.35 cents, representing a decrease of approximately RMB0.26 cents over the 2012 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 early 2013, the PRC government launched the New Policies to improve the national standard for the safety of dairy products which the Company believes will 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 on the dairy industry in the PRC as distributors are becoming more conservative in placing their orders 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 which has international presence and expertise in the international paediatric nutritional products. To facilitate the further integration of the business of 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 (the "Initial Period") 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.

Owing to the unavailability of the recent published audit report of the Company prior to the expiration of the Initial Period, the Company has not been able to proceed with the approval process of the COA. On 5 June 2014, DDI has exercised its right to extend the call option for another 12-month period 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 by this law with effect from 1 June 2009.

Furthermore, 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. ("Hyproca Lyempf"), 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
Hyproca Lyempf	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.

During the visit of the PRC President Xi Jinping to the Netherlands in March 2014, a joint statement has been issued by the two countries to further enhance the economic co-operation in a wider range that includes more exports of Dutch dairy products to the PRC. 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 prior years, the Group invested in the 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 milk powder 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 advanced to the Ausnutria Hyproca Group a shareholders' loan 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 in Heerenveen, the Netherlands and the upgrade of the milk powder production towers and the purchases of new machineries for the increase in packaging capacity of the Ausnutria Hyproca Group (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 led to 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 2013 and 2014, the production capacity of the Ausnutria Hyproca Group is expected to increase significantly 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 since the fourth quarter of 2011. In the same year and 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 and 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 Food and Drug Administration ("FDA") for the sale of Kabrita Series of products in the United States.

The Group has also formed joint ventures with independent third parties for the sales of Kabrita Series products in Russia and the Middle East, 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 the aim of becoming one of the market leaders of goat milk based paediatric nutrition products in the long run by leveraging on the studies and clinical trial results conducted by (i) the Medical School of Beijing University and (ii) the in-house research and development team in the Netherlands and in North America during the course of applying the approval with the FDA.

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 challenges ahead and is optimistic about its future.

Production and distribution tracking systems

Resulting from the investment of the New IT Systems with world standard partners with upgrading programs kicked off in 2013, the Group has successfully launched the full tracking systems for its production and distribution, which satisfy the new mandatory requirements under the New Policies in the PRC. With the new production tracking system, each tin of milk powder sold in the PRC is now marked with a unique barcode which allows the Group to trace back all the production details if there is any quality issue arisen subsequently. Furthermore, the new tracking system would enable the Group to monitor and track the distribution progress and logistic status of products sold to the retail consumer level.

Strengthening of 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.

FINANCIAL REVIEW

Analysis on Condensed Consolidated Statement of Comprehensive Income

Revenue

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
REVENUE		
– Ausnutria Group	**282,197**	268,213
– Ausnutria Hyproca Group	**515,109**	446,512
– The Group	**797,306**	714,725

For the 2013 Interim Period, the Group recorded revenue of approximately RMB797.3 million, representing an increase of approximately RMB82.6 million, or approximately 11.6%, from RMB714.7 million for the 2012 Interim Period.

Revenue – Ausnutria Group

A-choice Series, Best-choice Series, Allnutria Series and Allnutria Organic Series, continued to be the major series of paediatric milk formula of the Group (excluding the Ausnutria Hyproca Group) (the "Ausnutria Group") which are all imported from overseas and are designed to target consumers for premium products in the PRC. The new products, namely, the Puredo and the Hyproca 1897, that were launched in June 2012 and April 2013, respectively, also contributed for the increase in revenue of the Ausnutria Group for the 2013 Interim Period.

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 (the "Kabrita")* in the PRC, Russia and the Middle East countries 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.

The increase in the revenue of the Ausnutria Hyproca Group for the 2013 Interim Period was primarily attributed to (i) the continuous increase in the revenue of Kabrita; and (ii) the continuous increases in the demand for paediatric nutrition products from the customers in the Netherlands and other overseas countries due to the increasing recognition of the good quality of milk supply in the Netherlands and the reputation of good quality products delivered by the Ausnutria Hyproca Group that was built up since the establishment of the Group in 1897.

Gross profit and gross margin

	Six months ended 30 June		**Six months ended 30 June**	
	2013	2012	**2013**	2012
	%	*%*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Ausnutria Group	**54.4**	52.3	**153,519**	140,328
Ausnutria Hyproca Group	**15.4**	15.4	**79,215**	68,895
The Group	**29.2**	29.3	**232,734**	209,223

The Group's gross profit for the 2013 Interim Period was approximately RMB232.7 million, representing an increase of approximately RMB23.5 million, or approximately 11.2%, when compared with the 2012 Interim Period.

The gross profit margins of the Group remained fairly stable for the 2013 Interim Period.

Other income and gains

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Investment income from held-to-maturity investment	**2,564**	3,573
Interest income	**10,012**	4,458
Government grants	**305**	636
Others	**663**	2,285
	13,544	10,952

Selling and distribution costs

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Ausnutria Group	**67,920**	58,899
Ausnutria Hyproca Group	**42,005**	17,417
	109,925	76,316

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 13.8% and 10.7% of revenue for the 2013 Interim Period and the 2012 Interim Period, respectively.

The selling and distribution costs of the Ausnutria Group for the 2013 Interim Period increased by 2.1% points to 24.1% of its revenue when compared with the 2012 Interim Period. The increase in selling and distribution costs of the Ausnutria Group was mainly due to the launch of a new series of cow milk infant formula, namely, the Hyproca 1897 Series, in April 2013. The Group incurred additional marketing and promotion costs, including the setting up of a new sales division, for the introduction and promotion of the Hyproca 1897 Series for the 2013 Interim Period.

The selling and distribution costs of the Ausnutria Hyproca Group represented approximately 8.2% of the Ausnutria Hyproca Group's revenue for the 2013 Interim Period (2012 Interim Period: approximately 3.9%). Included in the selling and distribution costs of the Ausnutria Hyproca Group, approximately 58.3% (2012 Interim Period: approximately 38.6%) related to the sales and marketing of Kabrita in the PRC.

Administrative expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Ausnutria Group	**26,092**	25,641
Ausnutria Hyproca Group	**17,983**	11,169
The Group	**44,075**	36,810

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 the increase in staff and related costs as a result of the continuous increase in headcounts of the Ausnutria Hyproca Group to cope with its business expansion.

Other expenses

Other expenses for the 2013 Interim Period mainly comprised legal and professional fees incurred as a result of the Unresolved Issues of a total of approximately RMB6.4 million (2012 Interim Period: approximately RMB2.1 million).

Finance costs

The finance costs for the 2013 Interim Period amounted to approximately RMB2.9 million (2012 Interim Period: approximately RMB2.5 million), representing the interest on bank and other borrowings that were primarily used for the financing of the daily working capital and capital expenditures of the Ausnutria Hyproca Group.

The increase in finance costs was mainly due to the drawdown of a one-year term loan by Ausnutria (Dutch) for the financing of the capital expenditure plan of the Ausnutria Hyproca Group as set out in the announcement of the Company dated 7 June 2013.

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. 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	
	2013	2012
	%	%
	(Unaudited)	(Unaudited)
Effective income tax rate		
– Ausnutria Group	**12.6**	17.7
– Ausnutria Hyproca Group	**31.2**	24.2
– The Group	**16.5**	20.5

The decrease in the effective tax rate of the Ausnutria Group was mainly due to a tax refund of approximately RMB2,706,000 (2012 Interim Period: Nil) relating to prior years has been received by Ausnutria China during the 2013 Interim Period. The increase in the effective tax rate of the Ausnutria Hyproca Group was mainly due to there were losses amounted to approximately RMB4.0 million (2012 Interim Period: Nil) incurred by the newly established overseas subsidiaries of the Ausnutria Hyproca Group for the sale of the own branded business in the PRC and Russia.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders of the Company for the 2013 Interim Period amounted to approximately RMB62.7 million (2012 Interim Period: approximately RMB65.2 million), representing a decrease of approximately 3.9% when compared with the 2012 Interim Period. The decrease in net profit was mainly due to (i) the increase in the selling and distribution costs by approximately RMB33.6 million to approximately RMB109.9 million for the promotion of the new series of cow milk infant formula that were launched by the Ausnutria Group in April 2013 and the increase in advertising and promotion expenses for the marketing of the Ausnutria Hyproca Group's goat milk base Kabrita series of products in the PRC as well as in Russia and the Middle East countries; and (ii) the increase in professional fees for the handling of the Unresolved Issues by approximately RMB4.3 million.

In order to successfully promoted the newly launched own brands infant formula, the Group has allocated more of its resources for the marketing and promotion of these products during the initial launching period. The net profit of the Group decreased when compared with the 2012 Interim Period.

Analysis on Condensed Consolidated Statement of Financial Position

Non-current assets

As at 30 June 2013, the total non-current assets of the Group amounted to approximately RMB424.7 million (31 December 2012: approximately RMB406.3 million), mainly comprised property, plant and equipment of approximately RMB283.6 million (31 December 2012: approximately RMB264.3 million), goodwill arising from the acquisition of Ausnutria Hyproca of approximately RMB81.8 million (31 December 2012: approximately RMB84.5 million), other intangible assets of approximately RMB33.9 million (31 December 2012: approximately RMB30.1 million) and deferred tax assets of approximately RMB23.3 million (31 December 2012: approximately RMB25.3 million).

The increase in the non-current assets of the Group as at 30 June 2013 was principally due to the increase in property, plant and equipment of the Ausnutria Hyproca Group as part of its continuous production expansion plan to cope with the increasing in demand for its products from the worldwide customers. Other non-current assets position of the Group as at 30 June 2013 remained fairly stable when compared with that as at 31 December 2012.

Current assets

As at 30 June 2013, the total current assets of the Group amounted to approximately RMB1,357.3 million (31 December 2012: approximately RMB1,182.1 million), mainly comprised inventories of approximately RMB283.2 million (31 December 2012: approximately RMB190.9 million), trade receivables of approximately RMB110.8 million (31 December 2012: approximately RMB122.6 million), bills receivables of approximately RMB26.1 million (31 December 2012: approximately RMB18.7 million), pledged deposit of RMB123.3 million (31 December 2012: Nil), time deposits with banks in the PRC of RMB490.0 million (31 December 2012: RMB420.0 million) and cash and cash equivalents of approximately RMB208.0 million (31 December 2012: approximately RMB282.7 million).

Inventories

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Ausnutria Group	**84,637**	51,260
Ausnutria Hyproca Group	**198,604**	139,675
The Group	**283,241**	190,935

The inventory turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2013 was approximately 96 days (31 December 2012: approximately 169 days) and approximately 71 days (31 December 2012: approximately 54 days), respectively.

In 2012, there was a temporary delay in the delivery on some of the orders by the suppliers of the Ausnutria Group in the fourth quarter of 2012 which had caused the inventory level to be at a comparatively lower level. The inventory level of the Ausnutria Group as at 30 June 2013 was in line with the normal inventory planning level.

The increase in the inventories level of the Ausnutria Hyproca Group was mainly due to (i) the increase in raw materials and packaging materials as a result of the increase in customers base; (ii) the increase in inventory level for the own branded labels business, namely Kabrita, for sales in the PRC and other overseas countries; and the impact of the New Policies which caused a longer lead time (as it require a more stringent quality testing) before the infant milk formula are to be imported into the PRC.

Trade and bills receivables

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– Ausnutria Group	**31,670**	35,410
– Ausnutria Hyproca Group	**79,193**	87,205
Bills receivables	**26,082**	18,682
	136,945	141,297

The trade receivable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2013 was approximately 22 days (31 December 2012: approximately 22 days) and approximately 29 days (31 December 2012: approximately 39 days), respectively, which remained fairly stable and were in line with the credit periods granted by the Group to its customers.

Pledged deposits

As set out in the announcement of the Company dated 7 June 2013, Ausnutria (Dutch) granted a shareholder loan of EURO 7.0 million (31 December 2012: Nil) for the financing of the production expansion plans of the Ausnutria Hyproca Group. In view that most of the funds of the Ausnutria Group is denominated in RMB and placed in the PRC, the Ausnutria Group has pledged its RMB deposits in the PRC of RMB123.3 million (31 December 2012: Nil) to obtain the bank facilities in Europe for the financing of the shareholder loan.

Time deposits and cash and cash equivalents

As at 30 June 2013, the Group's cash and bank balances and time deposits amounted to approximately RMB698.0 million remained fairly stable and at a healthy level when compared with approximately RMB702.7 million as at 31 December 2012.

Current liabilities

As at 30 June 2013, the total current liabilities of the Group amounted to approximately RMB579.2 million (31 December 2012: approximately RMB440.6 million), mainly comprised trade payables of approximately RMB126.7 million (31 December 2012: approximately RMB104.7 million), other payables and accruals of approximately RMB251.3 million (31 December 2012: approximately RMB229.7 million) and interest-bearing bank loans and other borrowings of approximately RMB182.6 million (31 December 2012: approximately RMB95.6 million).

Trade payables

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Ausnutria Group	**14,788**	9,030
Ausnutria Hyproca Group	**111,880**	95,668
The Group	**126,668**	104,698

The increase in trade payables as at 30 June 2013 was in line with the increase in purchase to cope with the increase in sales of the Group for the 2013 Interim Period.

The trade payable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2013 was approximately 17 days (31 December 2012: approximately 24 days) and approximately 43 days (31 December 2012: approximately 37 days), respectively, was in line with the credit terms granted by the suppliers of the Group.

Interest-bearing bank loans and other borrowings

The interest-bearing bank loans and other borrowings as at 30 June 2013 and 31 December 2012 were all primarily used for the financing of the daily working capital and capital expenditures of the Ausnutria Hyproca Group.

The increase in the interest-bearing bank loans and other borrowings as at 30 June 2013 was mainly due to the drawdown of a one-year term loan by Ausnutria (Dutch) for the financing of the capital expenditure plan of the Ausnutria Hyproca Group as set out in the announcement of the Company dated 7 June 2013.

Non-current liabilities

As at 30 June 2013, the total non-current liabilities of the Group amounted to approximately RMB77.5 million (31 December 2012: approximately RMB84.0 million), comprised interest-bearing bank loans and other borrowings of approximately RMB35.7 million (31 December 2012: approximately RMB39.0 million), accruals for defined benefit plan of approximately RMB16.5 million (31 December 2012: approximately RMB17.4 million) and deferred tax liabilities of approximately RMB25.3 million (31 December 2012: approximately RMB27.6 million).

There were no significant changes in the non-current liabilities position of the Group as at 30 June 2013 when compared with 31 December 2012.

Non-controlling interests

As at 30 June 2013 and 31 December 2012, the balance mainly represented the 49% equity interests in Ausnutria Hyproca owned by DDI.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

There were no material investments and acquisitions and disposals of subsidiaries and associated companies during the 2013 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 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and cash equivalents	**208,046**	282,714
Time deposits	**490,000**	420,000
Total bank loans and other borrowings	**218,247**	134,562
Total assets	**1,782,021**	1,588,363
Gearing ratio	**12.2%**	8.5%

As at 30 June 2013, the Group had pledged the land and buildings, plant and machineries, inventories and trade receivables that were attributable to the Ausnutria Hyproca Group with a total carrying value of EURO 54.9 million, equivalent to approximately RMB442.0 million (31 December 2012: approximately EURO 42.9 million, equivalent to approximately RMB357.1 million) and the time deposits that were attributable to the Ausnutria Group of RMB123.3 million (31 December 2012: Nil) for the banking facilities granted to the Group.

COMMITMENTS

As at 30 June 2013, the Group, as lessee, had total future minimum lease payments under non-cancellable operating leases amounting to approximately RMB4,468,000 (31 December 2012: approximately RMB4,770,000).

As at 30 June 2013, the Group had contracted, but not provided for, capital commitments in respect of leasehold improvements and the purchase of plant and machineries mainly for the CAPEX Plan of Nil (31 December 2012: approximately RMB1,260,000) and approximately RMB64,939,000 (31 December 2012: approximately RMB10,583,000), respectively.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 October 2009 with net proceeds from the global offering of the Company's 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 2013 was as follows:

	As stated in the prospectus*	**Utilised**	**Balance as at 30 June 2013**
	HK$'000	*HK$'000*	*HK$'000*
Invest in upstream operations	246,930	(192,776)	54,154
Expand the Group's distribution network and brand building	246,930	(246,930)	–
Enhance the Group's research and development efforts	82,310	(39,508)	42,802
Introduce new series of organic paediatric nutrition products	82,310	(61,346)	20,964
Establish new production lines and warehouse	82,310	(33,020)	49,290
General working capital	82,310	(82,310)	–
	823,100	(655,890)	167,210

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 2013, the Group has a total of 1,041 (31 December 2012: 928) full-time employees. For the 2013 Interim Period, total employee costs, including directors' emoluments, amounted to approximately RMB102.8 million (2012 Interim Period: approximately RMB70.6 million). 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 2013 Interim Period (2012 Interim Period: 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 2013 Interim Period (2012 Interim Period: Nil) 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 Board strives to implement the best practices embodies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to Corporate Governance Code (the "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 for the 2013 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 and publishing the annual results/reports for the years ended 31 December 2012 and 2013 and the interim results/reports for the six months 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 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 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 prior to 1 November 2013.

4) Code provisions A.6.7 and E.1.2

Under code provision A.6.7 of the 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 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 schedule to 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 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, the Directors confirmed that they have complied with the required standard set out in the Model Code for the 2013 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 2013 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 2013 Interim Period, which contains the detailed results and other information of the Company for the 2013 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.