DAQING DAIRY HOLDINGS LIMITED
大慶乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The board (the "Board") of directors (the "Director(s)") of Daqing Dairy Holdings Limited (the "Company") hereby announces the audited annual results of the Company for the year ended 31 December 2014, together with comparative figures from the previous corresponding year, summarised as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	3	—	—
Cost of sales		—	—
Gross profit		—	—
Administration expenses		**(2,622)**	(1,421)
Other suspense account	4	—	(2,024)
Loss before taxation	5	**(2,622)**	(3,445)
Income tax expenses	6	—	—
LOSS FOR THE YEAR		**(2,622)**	(3,445)
Other comprehensive income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating to presentation currency		**85**	36
Other comprehensive income for the year, net of income tax		**85**	36
Total comprehensive loss for the year		**(2,537)**	(3,409)
Loss for the year attributable to owners of the Company		**(2,622)**	(3,445)
Total comprehensive loss for the year attributable to owners of the Company		**(2,537)**	(3,409)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted		**RMB(0.003)**	RMB(0.003)

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**429**	498
Prepaid lease payments		**—**	—
Intangible assets		**—**	—
Deferred tax assets		**—**	—
		429	498
Current assets			
Inventories		**—**	—
Prepayments and deposits paid	*9*	**500**	466
Prepaid lease payments		**—**	—
Bank balances and cash	*10*	**58**	51
		558	517
Current liabilities			
Accrued expenses and other payables	*11*	**21,625**	19,116
		21,625	19,116
Net current liabilities		**(21,067)**	(18,599)
Total assets less current liabilities		**(20,638)**	(18,101)
Capital and reserves			
Share capital		**9**	9
Reserves		**(20,647)**	(18,110)
		(20,638)	(18,101)
Non-current liabilities			
Deferred tax liabilities		**—**	—
Borrowings		**—**	—
		—	—
		(20,638)	(18,101)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

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

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

The Company acts as an investment holding company.

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

2.1 BASIS OF PREPARATION

The financial statements as at and for the year ended 31 December 2014 comprise the Company.

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

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

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

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

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

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

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

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

In addition, the New Controlling Shareholder appointed two individuals into the board of directors of its wholly-owned subsidiary, Global Milk Products Pte. Ltd, which is incorporated in the Republic of Singapore ("Global Milk"). However, the directors of the Company could not locate complete books and records of the Company and Global Milk and the previous managements of the Company and Global Milk have continued ignoring the request for any information. Subsequently in the shareholders meeting of Global Milk held on 3 December 2015, the Company resolved to put Global Milk into winding up, subject to further advice from legal advisers.

Given the circumstances that the directors of the Company have been unable to locate complete books and records of the Company and Global Milk and to get access to the books and records of the PRC Subsidiaries and in the absence of the Group's previous management to explain and validate the true state of the affairs of the Company at 31 December 2011, 2012 and 2013, it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of 31 December 2011, 2012 and 2013 for the Company or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the years and various balances of the Company, Global Milk and the PRC Subsidiaries as at 31 December 2011, 2012 and 2013. In the Company's board of directors (the "Board")' opinion, any reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the Group's previous management or those responsible for the financial information which the Predecessor Auditors identified the Potential Irregularities within and outside of the Group.

As of the date of the financial statements of the Company, the directors of the Company have used its best effort, to the extent commercially practicable, to reconstruct the accounting records of the Company, Global Milk and the PRC Subsidiaries for the years ended 31 December 2011, 2012 and 2013 applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. However, given substantial portion of the books and records could not be located or accessed and the previous management of the Group did not response to the New Management's request, the Board believes that as at the date of approval of the financial statements, it is impossible and impractical to ascertain the transactions and balances of the Company, Global Milk and the PRC Subsidiaries for inclusion in the financial statements of the Company for the years ended 31 December 2011, 2012 and 2013. Also, due to substantial portion of the books and records of the Group for the previous years could not either be located or accessed, the Board believes that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group or financial statements of the Company for the previous years. Accordingly, the comparative financial information disclosed in the financial statements only represents such information as reported in the financial statements of the Company for the year ended 31 December 2013 and therefore may not be comparable with the figures for the current year.

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

In the opinion of the directors of the Company, the financial statements as at and for the year ended 31 December 2014 prepared on the aforementioned basis is the most appropriate way of presenting the results and state of affairs of the Company as the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the De-consolidated Subsidiaries. However, the de-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Financial Reporting Standard ("IFRS") 10 "Consolidated Financial Statements". Given the abovementioned circumstances, the directors of the Company are unable to ascertain the impact of the Potential Irregularities with respect to the accounting records and transactions of the De-consolidated Subsidiaries, if any, and the de-consolidation of the De-consolidated Subsidiaries on the financial statements.

Due to limited books of accounts and records available to the directors of the Company, the following disclosures have not been made in the financial statements for the year ended 31 December 2013:

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

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

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

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

Any adjustments arising from the matters described above would have a consequential significant effect on the net loss of the Company for the year ended 31 December 2013 and net liabilities of the Company as at 31 December 2013.

Due to the limited financial information available and the previous management of the Group did not response to the New Management's request, the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the genuineness and completeness of books and records and the treatment of various balances as included in the financial statements for the year ended 31 December 2013 and have formed the opinion as follows:

As the financial statements for the year ended 31 December 2013 have been prepared based on the lack of books and records available to the Company, the directors of the Company are unable to represent that all transactions entered into by the Company for the year ended 31 December 2013 have been properly reflected in the financial statements. In this connection, the directors of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of revenue and segment information, loss before taxation, directors' and employees' emoluments, income tax expenses, dividends, loss per share, property, plant and equipment, prepaid lease payments, intangible assets, deferred tax assets/(liabilities), inventories, prepayments and deposits paid, bank balances and cash, accrued expenses and other payables, borrowings, share-based payments, retirement benefit plans, related party transactions, commitments and contingent liabilities.

As per assessment by the Board, based on the investigations carried out by the Forensic Accountants and the information available at this stage, all identified, required adjustments have been put through in the financial statements for the year ended 31 December 2013. Since the investigations may be on-going, any further adjustments and disclosures, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified, and would have a consequential effect on the net loss of the Company for the year ended 31 December 2013 and net liabilities of the Company as at 31 December 2013.

During the year ended 31 December 2014, the Company incurred loss of approximately RMB2,622,000. In addition, following de-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting other business. It was further disclosed in the Company's announcements dated 19 May 2015 and 23 November 2015 respectively that the Stock Exchange has placed the Company in the first delisting stage on 14 May 2015 and subsequently placed in the second delisting stage on 19 November 2015 pursuant to Practice Note 17 to the Listing Rules. The directors of the Company have also unable to represent that all present and contingent liabilities of the Company have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant effect on the Company's ability to continue as a going concern.

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

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

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

2.2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Changes in accounting policy and disclosures

The Company has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Other than explained below regarding the impact of (state the applicable standards), the adoption of the revised standards has had no significant effect on these financial statements.

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Company. Disclosures about the Company's impaired non-financial assets are included in the financial statements.

Issued but not yet effective International Financial Reporting Standards

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements:

IFRS 9 (2014)	Financial Instruments[5]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
IFRS 14	Regulatory Deferral Accounts[6]
IFRS 15	Revenue from Contracts with Customers[4]
IFRS 16	Lease[7]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits — Defined Benefit Plan: Employee Contributions[1]
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 1	Disclosure Initiative[3]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[3]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017. In July 2015, the IASB confirmed to delay the effective date by one year to 1 January 2018
5 Effective for annual periods beginning on or after 1 January 2018
6 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Company
7 Effective for annual periods beginning on or after 1 January 2019

3. REVENUE AND SEGMENT INFORMATION

No revenue and segment information were presented as the Company did not carry business during the year.

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible, and not practicable, to ascertain the completeness, existence and accuracy of the amounts of revenue and segment information of the Company for the year ended 31 December 2013. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the revenue and segment information as of the date of approval of the financial statements

4. OTHER SUSPENSE ACCOUNT

As disclosed in notes 2.1 and 10, the directors of the Company have been unable to locate complete books and records of the Company for the previous years. The other suspense account represents loss recognised in respect of the aggregate amounts of the credit balances of bank transactions of which the directors of the Company have been unable to locate relevant books and records during the year ended 31 December 2013. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of the disclosures and loss recognised as other suspense account for the year ended 31 December 2013 as of the date of approval of the financial statements.

5. LOSS BEFORE TAXATION

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

	2014	2013
	RMB'000	*RMB'000*
Loss before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Salaries and wages	**—**	—
— Retirement benefit scheme contributions	**—**	—
	—	—
Depreciation of property, plant and equipment	**110**	15
Auditors' remuneration	**317**	638
Operating lease rental expenses	**637**	181

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness, occurrence and accuracy of those expenses for the year ended 31 December 2013 as of the date of approval of the financial statements.

6. INCOME TAX EXPENSES

Hong Kong Profits Tax rate was 16.5%. No provision for Hong Kong Profits Tax has been made as the Company did not have any assessable profit arising in Hong Kong for the year.

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness and accuracy of the income tax expenses for the year ended 31 December 2013 as of the date of approval the financial statements.

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2014	2013
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share loss for the year attributable to owners of the Company	**(2,622)**	(3,445)

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,010,500,000**	1,010,500,000

As disclosed in note 2.1, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain amounts for the previous years. No representation is therefore made by the directors of the Company as to the accuracy of the loss per share of the Company for the year ended 31 December 2013 as of the date of approval of the financial statements.

The computation of diluted loss per share for the years ended 31 December 2013 and 2014 does not assume the conversion of the Company's outstanding share option since their exercise would result in a decrease in the loss per share.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2014 (2013: RMB Nil).

As disclosed in note 2.1, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the amounts for the previous years. No representation is therefore made by the directors of the Company as to the completeness and accuracy of the dividend for the year ended 31 December 2013 as of the date of approval of the financial statements.

9. PREPAYMENTS AND DEPOSITS PAID

	2014	2013
	RMB'000	*RMB'000*
Prepayments	**307**	274
Deposits paid	**193**	192
	500	466

As disclosed in note 2.1, the directors of the Company have been unable to locate the complete books and records of the Company for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No presentation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the prepayment and deposits paid of the Company, and perform a detailed analysis of the Company's prepayment and deposits paid aging, credit policy and impairment assessment for the year ended 31 December 2013 as of the date of approval of the financial statements.

10. Bank balances and cash

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

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to books and records of the Company, including books and records of certain bank transactions of the Company took place for the previous years. Given incomplete books and records of the Company and the Company's previous management did not response to the request for information, it would be impossible and impracticable to ascertain these bank transactions which took place for the previous years and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of the bank transactions. Given these circumstances, the directors of the Company have recognised (i) losses of approximately HK$10,543,000 (equivalent to approximately RMB8,569,000) and HK$2,538,000 (equivalent to approximately RMB2,024,000) in respect of the aggregate amounts of the credit balances of bank transactions took place during the years ended 31 December 2012 and 2013 respectively as other suspense accounts in the statements of profit or loss and other comprehensive income for the year ended 31 December 2012 and 2013 respectively; and (ii) liabilities of approximately HK$13,142,000 (equivalent to approximately RMB10,641,000) in respect of the aggregate amounts of the debit balances of bank transactions took place during the year ended 31 December 2012 and 2013 as other payables in the statements of financial position as at 31 December 2013.

11. ACCRUED EXPENSES AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Accrued expenses	**3,325**	2,611
Amount due to a subsidiary	**810**	810
Amount due to a related party	**3,363**	1,478
Other payables	**14,127**	14,217
	21,625	19,116

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries. In addition, the directors of the Company have been unable to locate books and records of certain bank transactions took place for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it would be impossible and impracticable to ascertain these bank transactions took place for the years ended 2011, 2012 and 2013. It would also be extremely difficult and time consuming to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of these bank transactions. Given these circumstances, the directors of the Company have recognised (i) liabilities of approximately HK$13,142,000 (equivalent to approximately RMB10,540,000) in respect of the aggregate amounts of the debit balances of bank transactions took place for the years ended 31 December 2012 and 2013; and (ii) liabilities of approximately RMB3,587,000 in respect of the directors of the Company have been unable to locate relevant books and records in the statements of financial position as other payables as at 31 December 2013.

As further disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the current and the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances of the amount due to a subsidiary and other payables for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of accrued expenses and other payables for the year ended 31 December 2013 as of the date of approval of the financial statements.

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

12. COMMITMENTS

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of commitments for the year ended 31 December 2013 as of the date of approval of the financial statements.

13. CONTINGENT LIABILITIES

As disclosed in note 2.1, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries for the previous years. Given the incomplete books and records and the previous management of the Group did not response to any request for information, it is impossible and impracticable for the directors of the Company to ascertain the balances for the previous years. No representation is therefore made by the directors of the Company as to the completeness, existence and accuracy of the disclosure of contingent liabilities for the year ended 31 December 2013 as of the date of approval of the financial statements.

14. EVENTS AFTER THE REPORTING PERIOD

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

Year 2015

(a) The 30 April 2015 announcement

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

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

(b) The 19 May 2015 announcement

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

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

(c) *The 1 June 2015 announcement*

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

(d) *The 23 June 2015 announcement*

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

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

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

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

(e) *The 23 November 2015 announcement*

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Due to the loss of control over the subsidiaries in Singapore and in the PRC, the financial statements of those subsidiaries have been de-consolidated from the consolidated financial information of the Group. There was no turnover for the year (2013: Nil). The loss for the year ended 31 December 2014 was approximately RMB2,622,000 (2013: approximately RMB3,445,000). The loss for the year mainly attributed from rental expense and auditors' remuneration.

PROSPECTS

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

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2014, the Company had total assets of approximately RMB987,000 (2013: approximately RMB1,015,000). The main assets of the Company as at 31 December 2014 were property, plant and equipment for office use and bank balances and cash. During the year under review, the Company has yet to have any financial restructuring plan.

As at 31 December 2014, the Company's current liabilities amounted to approximately RMB21,625,000 (2013: approximately RMB19,116,000).

The net liabilities value per share of the Company was approximately RMB0.020 as at 31 December 2014 (2013: approximately RMB0.018). The net liabilities value per share was computed based on 1,010,500,000 ordinary shares in issue as at 31 December 2014 and 2013 respectively.

The gearing ratio as computed based on total interest bearing indebtedness over total assets. No gearing ratio was computed as the Company did not have interest bearing indebtedness as at 31 December 2014 and 2013 respectively.

PLEDGE OF ASSETS

As at 31 December 2014, the Company had no charges on its assets (2013: Nil).

CAPITAL STRUCTURE

The Company had no changes in capital structures during the year ended 31 December 2014.

SIGNIFICANT INVESTMENT AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Company did not enter any new significant investment and acquisitions and disposals of subsidiaries during the year ended 31 December 2014 (2013: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period of the Company are set out in note 14 to the financial statements.

FOREIGN CURRENCY RISK

The Company's functional currency is RMB. The foreign currency risk of the Company is the foreign currency deposited in the bank. As at 31 December 2014, the Company had bank balances of approximately RMB37,000 (2013: approximately RMB37,000) and approximately RMB21,000 (2013: approximately RMB14,000) denominated in USD and HKD respectively.

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

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

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

2. Details of related party transactions;

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

4. Details of commitments and contingent liabilities; and

5. Information in respect of major customers and major suppliers.

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 Company's listed securities during the financial year.

AUDIT COMMITTEE

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

The existing Audit Committee has reviewed the Company's financial statements for the year ended 31 December 2014.

CORPORATE GOVERNANCE

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

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

Code Provision A.1.8

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

Code Provision A.2.8

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

Code Provision A.4.2

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

Code Provision A.5.6

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

Code Provision C.1.2

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

Code Provision C.2.1

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

Code Provision E.1.4

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

The existing Board is of the view that apart from achieving the resumption of the Company, one of its main priorities in 2015/2016 is to improve the corporate governance of the Group.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all existing Directors and all Directors, except Mr. Wang Delin, confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2014.

EXTRACT OF INDEPENDENT AUDITORS' REPORT ON THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Company's auditors have qualified the report on the Company's financial statements for the year ended 31 December 2014, an extract of which is as follows:

Basis for disclaimer of opinion

a) *Opening balances and the comparative information*

The opening balances and the comparative figures disclosed in the financial statements are based on the audited financial statements of the Company for the year ended 31 December 2013 of which our auditors' report dated 21 January 2016 expressed a disclaimer opinion. The matters which resulted in that disclaimer opinion included (a) authenticity of accounting records and de-consolidation of all subsidiaries; (b) incomplete books and records; (c) non-compliance with IFRSs and omission of disclosures; (d) bank balances and cash; (e) amount due to a subsidiary; (f) accrued expenses and other payables; (g) contingent liabilities and commitments; (h) share-based payments; (i) events after the reporting period; (j) related party transactions; and (k) going concern basis of accounting. Due to lack of complete books and records of the Company, we have been unable to obtain sufficient appropriate audit evidence as to whether the opening balances as at 1 January 2014 and the comparative figures for the year ended 31 December 2013 were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including International Accounting Standard ("IAS") 1 "Presentation of Financial Statements". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances and the comparative figures were free from material misstatement. Any adjustments to the opening balances as at 1 January 2014 that would be required may have a consequential significant effect on the Company's assets and liabilities as at 1 January 2014 and 31 December 2014 and its results for the years ended 31 December 2013 and 2014, and the presentation and disclosure thereof in the financial statements.

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

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

Given these circumstances, the directors of the Company have not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no consolidated financial statements of the Company were prepared for the years ended 31 December 2013 and 2014.

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

Due to the lack of complete books and records of the De-consolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence and explanation to assess the accounting treatment on de-consolidation of the De-consolidated Subsidiaries and the resulting movement in the statutory surplus reserve. We are also unable to ascertain the impact of the potential irregularities with respect to the accounting records and transactions of the Group, if any, and the de-consolidation of the De-consolidated Subsidiaries on the financial statements of the Company. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 31 December 2014 and the loss attributable to equity holders of the Company for the year then ended.

c) Amount due to a subsidiary

As disclosed in note 11, the Company recorded an amount due to a subsidiary of approximately RMB810,000. As further disclosed in note 2.1, the directors of the Company have been unable to locate the complete books and records of the Company and Global Milk and have been unable to get access to the books and records of the PRC Subsidiaries. Due to the lack of complete books and records of the Company, Global Milk and the PRC Subsidiaries, we have been unable to obtain sufficient appropriate audit evidence to determine whether the amount due to a subsidiary was properly recorded and accounted for and in compliance with the requirements of applicable IFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amount due to a subsidiary were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 31 December 2014 and loss attributable to the equity holders of the Company for the year then end.

d) Accrued expenses and other payables

As disclosed in notes 2.1 and 11, included in the accrued expenses and other payables in the statement of financial position of the Company as at 31 December 2014 were other payables of approximately RMB14,127,000 among which (i) RMB10,540,000 were liabilities recognised in respect of the aggregate amounts of the debit balances of bank transactions as the directors of the Company were unable to locate complete books and records of bank accounts and whereabouts of these bank balances and cash as of the date of approval of the financial statements; and (ii) RMB3,587,000 were other payables that the directors of the Company have been unable to locate relevant books and records. Due to the lack of complete books and records of the Company, we have not been able to obtain sufficient appropriate audit evidence as to whether the accrued expenses and other payables were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the accrued expenses and other payables were free from material misstatements. Any adjustments that would be required may have a consequential significant effect on the balances of the Company's accrued expenses and other payables, the Company's net liabilities as at 31 December 2014 and consequently net loss and cash flows of the Company for the year ended 31 December 2014, and the related disclosures thereof in the financial statements.

e) *Contingent liabilities and commitments*

As disclosed in note 2.1, due to the lack of complete books and records of the Company and the De-consolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Company were properly recorded and accounted for and in compliance with the requirements of applicable IFRSs including IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 39 "Financial Instruments: Recognition and Measurement". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Company as at 31 December 2014 and the loss attributable to the equity holders for the year then ended and the related disclosures thereof in the financial statements.

f) *Going concern basis of accounting*

As explained in note 2.1, in making their assessment of the Company's ability to continue as a going concern, the directors of the Company have considered (i) the Company incurred a loss attributable to the owners of the Company of approximately RMB2,622,000 for the year ended 31 December 2014 and as of that date, the Company's total liabilities exceeded its total assets by approximately RMB20,638,000; (ii) following de-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting other business; (iii) the Company has been placed in the second delisting stage as of the date of the financial statements; and (iv) as disclosed in note 2.1, the directors of the Company are unable to represent that all present and contingent liabilities or assets of the Company have been completely identified. Given these circumstances, which are more fully described in note 2.1, there were no practicable audit procedures that we could perform to form an opinion on whether management has considered all relevant events and conditions when making assessment on the Company's ability to continue as a going concern.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of the Company's loss and cashflows for the year then ended in accordance with IFRSs and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on Matters under section 80(1) of schedule 11 to the Hong Kong Companies Ordinance with reference to sections 141(4) and 141(6) of the predecessor Hong Kong Companies Ordinance (Cap.32)

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the items stated under basis for disclaimer of opinion for the year ended 31 December 2014,

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept for the year ended 31 December 2014.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 21 January 2016

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