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DAQING DAIRY HOLDINGS LIMITED

大慶乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Daqing Dairy Holdings Limited (the “Company”) hereby announces the unaudited interim results of the Company for the six months ended 30 June 2016 as follows:

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the six months ended 30 June 2016*

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
			(Restated)
Revenue	3	—	—
Cost of sales		—	—
Gross profit		—	—
Administrative expenses		(4,165)	(1,989)
Loss before taxation	4	(4,165)	(1,989)
Income tax expenses	5	—	—
LOSS FOR THE PERIOD		<u>(4,165)</u>	<u>(1,989)</u>
Total comprehensive loss for the period		<u>(4,165)</u>	<u>(1,989)</u>
Loss for the period attributable to owners of the Company		<u>(4,165)</u>	<u>(1,989)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(4,165)</u>	<u>(1,989)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	7	<u>HK\$(0.004)</u>	<u>HK\$(0.002)</u>

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	—	—
Prepaid lease payments		—	—
Intangible assets		—	—
Deferred tax assets		—	—
		<hr/>	<hr/>
		—	—
Current assets			
Inventories		—	—
Prepayments		146	250
Prepaid lease payments		—	—
Bank balances and cash	9	77	79
		<hr/>	<hr/>
		223	329
Current liabilities			
Accrued expenses and other payables	10	33,761	29,702
		<hr/>	<hr/>
		33,761	29,702
Net current liabilities			
		<hr/>	<hr/>
		(33,538)	(29,373)
Total assets less current liabilities			
		<hr/>	<hr/>
		(33,538)	(29,373)
Capital and reserves			
Share capital		10	10
Reserves		(33,548)	(29,383)
		<hr/>	<hr/>
		(33,538)	(29,373)
Non-current liabilities			
Deferred tax liabilities		—	—
Borrowings		—	—
		<hr/>	<hr/>
		—	—
		<hr/>	<hr/>
		(33,538)	(29,373)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Daqing Dairy Holdings Limited (the “Company”) is a limited company incorporated in the Cayman Islands on 15 October 2009.

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

The current board of directors of the Company has revisited the business plan and strategy of the Company. Since the Company is operating in Hong Kong and their business transactions in terms of operating, investing and financing activities are mainly denominated in Hong Kong Dollar (“HK\$”), the directors of the Company decided to change the presentation currency of the Company from Renminbi (“RMB”) to HK\$ that for a more appropriate presentation. The change in presentation currency of the Company has been applied retrospectively. All assets and liabilities are translated into the new presentation currency at the beginning of the comparative period (i.e. 1st January 2015) using the opening exchange rate and retranslated at the respective closing rates at the end of each reporting periods. Statements of profit or loss and other comprehensive income are translated at an average rate in each financial period presented. The financial statements of the Company are presented in HK\$.

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. Trading in the shares of the Company has been suspended since 22 March 2012.

2.1 BASIS OF PREPARATION

The financial statements as at and for the six months ended 30 June 2016 comprise the Company.

The interim condensed financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Boards. They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2015.

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

It was further disclosed in the Company’s announcement dated 29 March 2012 that an independent review committee comprised of those 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 (the "PRC"), were cracked as result of severe coldness in 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, the then controlling shareholder of the Company at that material time, entered into a sale and purchase agreement pursuant to which Mr. Zhao Yu agreed to sell and Radiant State Limited (the "Previous Controlling Shareholder") agreed to purchase the sale shares, representing 52.16% of the entire issued 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 Previous 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 Previous Controlling Shareholder held 60.39% of the entire issued share capital of 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 on 9 September 2013.

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

In addition, the Previous Controlling Shareholder appointed two individuals into the board of directors of its wholly-owned subsidiary, Global Milk Products Pte. Ltd, which is incorporated in the Republic of Singapore ("Global Milk"). However, the directors of the Company could not locate the complete books and records of the Company and Global Milk and the previous managements of the Company and Global Milk have continued 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 advisors.

Given the circumstances that the directors of the Company have been unable to locate the 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, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013, it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss for the Group as of 31 December 2011, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013 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, 30 June 2012, 31 December 2012, 30 June 2013 and 31 December 2013. In the Company's board of directors' (the "Board") opinion, any reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the Group's previous management or those responsible for the financial information which the Predecessor Auditors identified the Potential Irregularities within and outside of the Group.

As of the date of the interim condensed financial statements of the Company, the directors of the Company have used its best effort, to the extent commercially practicable, to reconstruct the accounting records of the Company, Global Milk and the PRC Subsidiaries for the years ended 31 December 2011, 2012 and 2013, applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. However, given substantial portion of the books and records could not be located or accessed and the previous management of the Group did not response to the Board's request, the Board believes that as at the date of approval of the interim condensed 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 interim condensed financial statements of the Company. Also, due to substantial portion of the books and records of the Group either could not be located or could not be accessed, the Board believes that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group for previous years.

Given these circumstances, the Board has not consolidated the financial statements of Global Milk and the PRC Subsidiaries (collectively referred to as the "De-consolidated Subsidiaries") and no consolidated financial statements of the Company were prepared since the year ended 31 December 2011. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included into the financial statements of the Company since 1 January 2011. The resulting loss on de-consolidation of approximately RMB1,583,093,000, which is determined based on the net asset value of the De-consolidated Subsidiaries as at 1 January 2011 has been recognised in the statement of profit or loss and other comprehensive income during the year ended 31 December 2011 and the resulting movement of approximately RMB55,946,000 has been recorded in the statutory surplus reserve in the statement of changes in equity for the year ended 31 December 2011. However, the de-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements".

Due to the limited financial information available and the previous management of the Group did not response to the Board's request, the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the genuineness and completeness of books and records and the treatment of various balances as included in the financial statements for the six months ended 30 June 2016 and have formed the opinion as follows:

As the interim condensed financial statements have been prepared based on the lack of books and records available to the Company in the previous periods, the directors of the Company are unable to represent that all transactions entered into by the Company and the Group for the previous periods have been properly reflected in the interim condensed financial statements. In this connection, the directors of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of accrued expenses and other payables in note 10.

As per assessment by the Board, based on the investigations carried out by the Forensic Accountants and the information available at this stage, all identified, required adjustments have been put through in the financial statements for the six months ended 30 June 2016. Since the investigations may be on-going, any further adjustments and disclosures, if required, would be made in the interim condensed financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified, and would have a consequential effect on the net loss of the Company for the six months ended 30 June 2016 and net liabilities of the Company as at 30 June 2016.

During the six months ended 30 June 2016, the Group incurred loss of approximately HK\$4,165,000. In addition, following non-consolidation of the De-consolidated Subsidiaries, the Company become an investment holding company without conducting any business. It was further disclosed in the Company's announcements dated 19 May 2015, 23 November 2015 and 27 May 2016 respectively that the Stock Exchange has placed the Company in the first delisting stage on 14 May 2015, subsequently placed in the second delisting stage on 19 November 2015 and in the third delisting stage on 26 May 2016 pursuant to Practice Note 17 of the Listing Rules. The directors of the Company have also been unable to represent that all present and contingent liabilities of the Company have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant effect on the Company's ability to continue as a going concern.

As disclosed in the Company's announcement dated 23 June 2015, on 4 May 2015, the Previous Controlling Shareholder entered into a sale and purchase agreement with Global Courage Limited ("Global Courage") pursuant to which the Previous Controlling Shareholder agreed to sell and Global Courage agreed to purchase the sale shares, representing of approximately 60.39% of the entire issued share capital of the Company at a consideration of approximately HK\$61,019,000, representing HK\$0.1 per sale share. The share transactions were completed on 19 February 2016.

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

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

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

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements of the Company for the year ended 31 December 2015, except for the adoption of the new and revised IFRSs as of 1 January 2016, noted below:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1	Disclosure Initiative
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

3. REVENUE AND SEGMENT INFORMATION

The Company did not conduct business during the period.

4. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Loss before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Salaries and wages	250	—
— Retirement benefit scheme contributions	—	—
	<u>250</u>	<u>—</u>

5. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made as the Company did not have any assessable profit arising in Hong Kong for the period.

The income tax expenses can be reconciled to the loss before taxation per the condensed statement of profit or loss as follows:

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Loss before taxation	<u>(4,165)</u>	<u>(1,989)</u>
Tax at the statutory tax rates	(687)	(328)
Effect of unrecognised deductible losses and deductible temporary differences	<u>687</u>	<u>328</u>
	<u>—</u>	<u>—</u>

6. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(4,165)</u>	<u>(1,989)</u>
	Six months ended 30 June	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,010,500,000</u>	<u>1,010,500,000</u>

There were no potential dilutive shares in existence during the six months ended 30 June 2016 and 2015 and therefore, no diluted loss per share amounts has been presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Company did not acquire or dispose of property, plant and equipment. During the year ended 31 December 2015, the Company disposed of property, plant and equipment at an aggregate cost amounting of approximately HK\$700,000.

9. BANK BALANCES AND CASH

As at 30 June 2016, the Company's bank balances carry market interest rate of 0.01% per annum (31 December 2015: 0.01% per annum).

The Company's bank balances and cash as at 30 June 2016 and 31 December 2015 respectively denominated in following currencies:

	As at 30 June 2016 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>
Currency:		
United States Dollars	<u>44</u>	<u>44</u>
HK\$	<u>33</u>	<u>35</u>

As disclosed in note 32 of the Group's consolidated financial statements for the year ended 31 December 2010 which were authorised to issue on 11 March 2011 (the "2010 Financial Statements"), a bank balances and cash amounted to approximately RMB11,523,000 was recorded on the statement of financial position of the Company at 31 December 2010. Except for bank balances of approximately RMB3,000, the directors of the Company have been unable to locate the bank accounts. The Company engaged the Forensic Accountants to conduct investigations, including (i) send letters to the Predecessor Auditors to request them provide the relevant bank information; and (ii) send letters to banks in Hong Kong (including licensed banks, restricted licensed banks and deposit-taking companies) (collectively referred as to the "Banks") to make enquiry on whether the Company maintained any bank accounts in the Banks. However, as of the date of approval of the interim condensed financial statements, the Predecessor Auditors only replied that the relevant information was not available as it was located in their PRC office. In addition, no Banks has indicated the existence of any bank accounts of the Company up to the date of approval of these interim condensed 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 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to books and records of the Company, including relevant bank accounts of the Company for the previous periods. Given incomplete books and records of the Company and the Company's previous management did not response to the request for information, it would be impossible and impracticable to ascertain these bank transactions which took place in the previous periods and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of the bank transactions.

10. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Accrued expenses	3,186	5,728
Amount due to a deconsolidated subsidiary	1,028	1,028
Amount due to related parties	11,853	5,252
Other payables	17,694	17,694
	<u>33,761</u>	<u>29,702</u>

As disclosed in note 2.1 to the interim condensed financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Company and the De-consolidated Subsidiaries. In addition, the directors of the Company have been unable to locate books and records of certain bank transactions took place for the previous periods. Given the incomplete books and records and the previous management of the Group did not response to request for information, it would be impossible and impracticable to ascertain these bank transactions took place for the previous periods and to obtain sufficient documentary information to satisfy themselves regarding the nature, completeness, existence and accuracy of these bank transactions. Given these circumstances, the directors of the Company have recognised (i) liabilities of approximately HK\$13,142,000 in respect of the aggregate amounts of the debit balances of bank transactions took place in the previous periods and (ii) liabilities of approximately HK\$4,552,000 among which the directors of the Company have been unable to locate relevant books and records in the statements of financial position as other payables at 30 June 2016.

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

The amount due to related parties were interest-free and repayable on demand.

11. COMMITMENTS

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

12. CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

At the request of the Company, trading in the shares of the Company (the “Shares”) has been suspended since 22 March 2012 due to the resignation of Deloitte Touche Tohmatsu, the predecessor auditors of the Company (the “Predecessor Auditors”).

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 banks of the Company and its subsidiaries (the “Group”).

The Company subsequently engaged RSM Corporate Advisory (Hong Kong) Limited (formerly known as “RSM Nelson Wheeler Corporate Advisory Limited”) (the “Forensic Accountant”) 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”). Given the circumstances that substantial portion of the books and records of the subsidiaries of the Company could not be located and accessed and the previous management of the Group did not cooperate in the field work, the Forensic Accountant encountered difficulties in the Forensic Investigation.

On 4 May 2015, Radiant State Limited (the “Previous Controlling Shareholder”) entered into a sale and purchase agreement with Global Courage Limited (“Global Courage”) pursuant to which the Previous Controlling Shareholder agreed to sell and Global Courage agreed to purchase 610,193,622 Shares, representing approximately 60.39% of the entire issued share capital of the Company at a consideration of approximately HK\$61,019,000, representing HK\$0.1 per sale share. As disclosed in the joint announcement of the Company and Global Courage dated 19 February 2016, Global Courage received valid acceptances in respect of a total of 31,483,007 Shares under the unconditional cash offer, representing approximately 3.11% of the entire issued share capital of the Company. Upon the completion of the unconditional cash offer on 19 February 2016, Global Courage and parties acting in concert with it were interested in 641,676,629 Shares, representing approximately 63.50% of the entire issued share capital of the Company.

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

On 19 November 2015, the Stock Exchange issued a letter to the Company informing that the Company was placed in the second delisting stage pursuant to Practice Note 17 of the Listing Rules.

On 21 January 2016 and 25 January 2016, the Company published all outstanding financial results and reports after the appointment of new auditors, HLB Hodgson Impey Cheng Limited which has been appointed with effect from 3 July 2015 to fill the causal vacancy left by the resignation of the Predecessor Auditors.

On 29 January 2016, Dr. Choi Chiu Fai Stanley and Mr. Choi Ka Wai were appointed as executive Directors, Mr. Ha Kee Choy Eugene, Mr. Szeto Tat Kwan Brandon and Mr. Fok Wai Ming Eddie were appointed as independent non-executive Directors.

On 19 February 2016, the previous Board members, namely Mr. Ng Kwong Chue Paul, Mr. Wang Delin, Ms. Kou Mei In, Mr. Sze Lin Tang and Mr. Qiu Xiaohua (the “Previous Board Members”), resigned as Directors and from all other offices at the Company.

On 26 May 2016, the Stock Exchange issued a letter to the Company stating that the Company was placed in the third delisting stage. The third delisting stage will expire on 6 December 2016. The Company should provide a viable resumption proposal at least 10 business days before the third delisting stage expires (i.e. 21 November 2016) 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 integrity the Company’s management which will pose a risk to investors and damage market confidence;
- 4) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and
- 5) inform the market of material information for the shareholders and the investors to appraise the Group’s position.

The Board will review the operations of the Company 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 Company. 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 the Shares on the Stock Exchange.

FINANCIAL REVIEW

Given the circumstances that substantial portion of the books and records of Global Milk and the PRC Subsidiaries could not be located or accessed and the previous management of the Group did not response to the Board’s request, the financial statements of those subsidiaries have been de-consolidated from the consolidated financial information of the Group. Therefore, the financial statements as at and for the six months ended 30 June 2016 comprise the Company. There was no turnover for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). The loss for the six months ended 30 June 2016 was approximately HK\$4,165,000 (six months ended 30 June 2015: approximately HK\$1,989,000 (Restated)). The loss for the period mainly attributed from increasing in professional fees incurred for the publication of the outstanding financial information of the Company in the past, preparation of the announcements and documents in relation to the general offer and resumption work during the period.

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2016, the Company had total assets of approximately HK\$223,000 (31 December 2015: approximately HK\$329,000). The assets of the Company as at 30 June 2016 were prepayments and bank balances and cash. During the period under review, the Company has yet to have any financial restructuring plan.

As at 30 June 2016, the Company's current liabilities amounted to approximately HK\$33,761,000 (31 December 2015: approximately HK\$29,702,000).

The net liabilities value per share of the Company was approximately HK\$0.033 as at 30 June 2016 (31 December 2015: approximately HK\$0.029). The net liabilities value per share was computed based on 1,010,500,000 ordinary shares in issue as at 30 June 2016 and 31 December 2015 respectively.

The gearing ratio as computed based on total interest bearing indebtedness over total assets. No gearing ratio was computed as the Company did not have interest bearing indebtedness as at 30 June 2016 and 31 December 2015 respectively.

PLEDGE OF ASSETS

As at 30 June 2016, the Company had no charges on its assets (31 December 2015: Nil).

CAPITAL STRUCTURE

For the six months ended 30 June 2016, there was no change in the capital structure and issued share capital of the Company.

INVESTMENT POSITION AND PLANNING

The Company did not enter any new significant investment and acquisitions and disposals of subsidiaries during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

CONNECTED TRANSACTIONS

No related party transactions entered by the Company during the period under review which constitute connected transactions in accordance with the requirements of the Listing Rules.

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

Given the circumstances that substantial portion of the books and records of Global Milk and the PRC Subsidiaries either could not be located or could not be accessed, no sufficient data available to compile this announcement so as to comply with the Appendix 16 "Disclosure of Financial Information" of the Listing Rules. The following information has been omitted:

1. Details of commitments and contingent liabilities; and
2. Information in respect of major customers and major suppliers.

Save as disclosed above and elsewhere in this interim financial information, there was no other material breach of or non-compliance with applicable laws and regulations by the Company that has a significant impact on the business and operations of the Company.

FOREIGN CURRENCY RISK

The foreign currency risk of the Company is the foreign currencies deposited in the bank. As at 30 June 2016, the Company had bank balances of approximately HK\$44,000 (31 December 2015: approximately HK\$44,000) and approximately HK\$33,000 (31 December 2015: approximately HK\$35,000) denominated in USD and HKD respectively.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Company as at 30 June 2016 was five (31 December 2015: five). The Company remunerates its employees mainly based on industry practice, individual's performance and qualification. Other benefits include bonuses awarded on a discretionary basis and mandatory provident fund schemes.

EVENTS AFTER REPORTING PERIOD

No other significant events occurred after the reporting date and up to the date of this announcement.

PROSPECTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 10 October 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The current Audit Committee comprises three independent non-executive Directors, namely, Mr. Fok Wai Ming Eddie (being the chairman of the Audit Committee), Mr. Ha Kee Choy Eugene and Mr. Szeto Tat Kwan Brandon.

The Audit Committee has reviewed with the Board the accounting principles and practices adopted by the Company and discussed the internal control and financial reporting matters including the review of the unaudited condensed interim financial statements and results of the Company for the six months ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

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. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. The principles and the code provisions of the CG Code have been adopted by the Company.

In accordance with the requirements of the Listing Rules, the Company has established the Audit Committee with defined term of reference. The Company has also established a nomination committee and a remuneration committee with defined terms of reference. The terms of reference of these Board committees are available on the Stock Exchange's website and the Company's website.

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

Code Provision A.1.8

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

Code Provision A.2.1

Following the resignations of the Previous Board Members, Dr. Choi Chiu Fai Stanley has been appointed as the chairman and the chief executive officer of the Company with effect from 19 February 2016. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board considers that the existing structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

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 did not hold any annual general meeting after 16 June 2011 until 26 May 2016, Mr. Wang Delin did not retire by rotation at least once every three years. Mr. Wang Delin has resigned as an executive Director with effect from 19 February 2016.

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 was established in the Company. The Company has adopted a new board diversity policy and measurable objectives with effect from 31 March 2016.

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 yet 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 information 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.

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

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 Directors held offices during the six months under review. All the Previous Board Members, except Mr. Wang Delin, Ms. Kou Mei In and Mr. Qiu Xiaohua, and current Directors have confirmed that they complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2016. The Company is unable to obtain the relevant confirmations from the previous Directors, Mr. Wang Delin, Ms. Kou Mei In and Mr. Qiu Xiaohua, due to their resignations, and therefore is unable to fully ascertain whether they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

By order of the Board
Daqing Dairy Holdings Limited
Choi Chiu Fai Stanley
Chairman

Hong Kong, 19 August 2016

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Choi Chiu Fai Stanley and Mr. Choi Ka Wai; and three independent non-executive Directors, namely Mr. Ha Kee Choy Eugene, Mr. Szeto Tat Kwan Brandon and Mr. Fok Wai Ming Eddie.