AUSNUTRIA DAIRY CORPORATION LTD
澳 優 乳 業 股 份 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	2015	2014	*% of*
	RMB'M	*RMB'M*	*Change*
Revenue	**2,103.5**	1,966.0	7.0
Gross profit	**590.0**	567.2	4.0
Earnings before interest, tax, depreciation and amortisation	**64.9**	196.1	-66.9
Profit for the year (after non-controlling interests)	**50.6**	90.2	-43.9
Basic earnings per share *(RMB cents)*	**4.90**	9.14	-46.4

For the year ended 31 December 2015 (the "Year 2015), Ausnutria Dairy Corporation Ltd (the "Company") and its subsidiaries (collectively, the "Group") recorded the followings:

- Revenue amounted to approximately RMB2,103.5 million, representing an increase of approximately RMB137.5 million or approximately 7.0% from approximately RMB1,966.0 million for the year ended 31 December 2014 (the "Year 2014"). Among which revenue derived from own-branded business increased by 33.8% to approximately RMB1,205.8 million.

- Gross profit amounted to approximately RMB590.0 million, representing an increase of approximately RMB22.8 million or approximately 4.0% from approximately RMB567.2 million for the Year 2014.

- Profit for the year amounted to approximately RMB50.6 million, representing a decrease of approximately RMB39.6 million or approximately 43.9% from approximately RMB90.2 million for the Year 2014.

- Basic earnings per share decreased from approximately RMB9.14 cents for the Year 2014 to approximately RMB4.90 cents, representing a decrease of approximately 46.4%.

In addition, the board (the "Board") of directors (the "Directors") of the Company has recommended the payment of a final dividend of HK$0.03 per share (Year 2014: Nil) of the Company for the Year 2015.

The Board is pleased to announce the audited consolidated financial results of the Group for the Year 2015 together with the comparative figures for the Year 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000*
REVENUE	*5*	**2,103,534**	1,966,047
Cost of sales		**(1,513,568)**	(1,398,842)
Gross profit		**589,966**	567,205
Other income and gains	*5*	**45,652**	29,325
Selling and distribution expenses		**(497,613)**	(336,000)
Administrative expenses		**(116,281)**	(105,285)
Other expenses		**(8,907)**	(11,621)
Finance costs	*7*	**(16,045)**	(10,310)
Share of profits of associates		**7,019**	3,959
Profit before tax	*6*	**3,791**	137,273
Income tax expense	*8*	**(680)**	(20,552)
PROFIT FOR THE YEAR		**3,111**	116,721
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– basic and diluted	*9*	**RMB4.90 cents**	RMB9.14 cents
Profit/(loss) attributable to:			
Owners of the parent		**50,645**	90,219
Non-controlling interests		**(47,534)**	26,502
		3,111	116,721

	2015	2014
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(16,997)**	(31,617)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(16,997)**	(31,617)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains/(losses) on the defined benefit plan	**2,306**	(3,047)
Income tax effect	**(553)**	731
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**1,753**	(2,316)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(15,244)**	(33,933)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(12,133)**	82,788
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**36,480**	72,875
Non-controlling interests	**(48,613)**	9,913
	(12,133)	82,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**586,296**	483,162
Prepaid land lease payments		**1,971**	2,028
Goodwill		**72,053**	75,713
Other intangible assets		**45,679**	44,497
Investments in associates		**32,312**	30,101
Deferred tax assets		**98,794**	47,522
Total non-current assets		**837,105**	683,023
CURRENT ASSETS			
Inventories	*10*	**579,857**	515,559
Trade and bills receivables	*11*	**185,396**	163,562
Prepayments, deposits and other receivables		**164,097**	104,335
Tax recoverable		**719**	6,511
Pledged deposits	*12*	**769,738**	216,900
Time deposits	*12*	**185,990**	465,100
Cash and cash equivalents	*12*	**307,620**	278,277
Total current assets		**2,193,417**	1,750,244
CURRENT LIABILITIES			
Trade payables	*13*	**172,692**	184,215
Other payables and accruals		**475,826**	373,469
Derivative financial instruments		**1,943**	404
Interest-bearing bank loans and other borrowings		**756,993**	517,197
Tax payable		**66,873**	46,411
Total current liabilities		**1,474,327**	1,121,696
NET CURRENT ASSETS		**719,090**	628,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,556,195**	1,311,571

	Notes	2015 RMB'000	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,556,195**	1,311,571
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**189,176**	51,864
Defined benefit plan		**12,885**	15,709
Deferred tax liabilities		**26,591**	29,070
Total non-current liabilities		**228,652**	96,643
Net assets		**1,327,543**	1,214,928
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**108,455**	86,866
Reserves		**1,204,224**	1,020,894
		1,312,679	1,107,760
Non-controlling interests		**14,864**	107,168
Total equity		**1,327,543**	1,214,928

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal offices of the Group are located at Floor 8, XinDaXin Building, No. 168, HuangXing Road (M), Changsha City, Hunan Province, Mainland China; Unit 16, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong; and at Dokter van Deenweg 150, 8025 BM Zwolle, the Netherlands. The shares of the Company (the "Shares") were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2009. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"). They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the Year 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group.

(b) The Annual Improvements to IFRSs 2010-2012 Cycle issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities besides associates.

(c) The Annual Improvements to IFRSs 2011-2013 Cycle issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 Investment Property: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and had two reportable operating segments in 2015 as follows:

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

(b) the Ausnutria Hyproca segment comprises the manufacture of dairy products in the Netherlands for sale to its worldwide customers as well as its own-branded products in Mainland China and other overseas countries.

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

Segment assets exclude cash and cash equivalents and other bank deposits and pledged deposits as these assets are managed on a group basis.

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

Year ended 31 December 2015

	Ausnutria *RMB'000*	Ausnutria Hyproca *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	**649,712**	**1,453,822**	**2,103,534**
Intersegment sales	**–**	**97,537**	**97,537**
	649,712	**1,551,359**	**2,201,071**
Reconciliation:			
Elimination of intersegment sales			**(97,537)**
Revenue from operations			**2,103,534**
Segment results	**67,855**	**(54,988)**	**12,867**
Reconciliation:			
Elimination of intersegment results			**(8,489)**
Interest income			**31,578**
Finance costs			**(16,045)**
Corporate and other unallocated expenses			**(16,120)**
Profit before tax			**3,791**
Segment assets	**544,555**	**1,408,551**	**1,953,106**
Reconciliation:			
Elimination of intersegment receivables			**(185,932)**
Corporate and other unallocated assets			**1,263,348**
Total assets			**3,030,522**
Segment liabilities	**290,991**	**651,751**	**942,742**
Reconciliation:			
Elimination of intersegment payables			**(185,932)**
Corporate and other unallocated liabilities			**946,169**
Total liabilities			**1,702,979**
Other segment information			
Impairment losses recognised in profit or loss	**417**	**102,651**	**103,068**
Share of profits of associates	**–**	**7,019**	**7,019**
Investments in associates	**–**	**32,312**	**32,312**
Depreciation and amortisation	**7,212**	**37,883**	**45,095**
Capital expenditure*	**9,867**	**155,495**	**165,362**

Year ended 31 December 2014

	Ausnutria *RMB'000*	Ausnutria Hyproca *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	575,560	1,390,487	1,966,047
Intersegment sales	–	101,274	101,274
	575,560	1,491,761	2,067,321
Reconciliation:			
Elimination of intersegment sales			(101,274)
Revenue from operations			1,966,047
Segment results	91,117	69,415	160,532
Reconciliation:			
Elimination of intersegment results			(11,649)
Interest income			22,821
Finance costs			(10,310)
Corporate and other unallocated expenses			(24,121)
Profit before tax			137,273
Segment assets	478,049	1,157,726	1,635,775
Reconciliation:			
Elimination of intersegment receivables			(189,827)
Corporate and other unallocated assets			987,319
Total assets			2,433,267
Segment liabilities	232,883	606,222	839,105
Reconciliation:			
Elimination of intersegment payables			(189,827)
Corporate and other unallocated liabilities			569,061
Total liabilities			1,218,339
Other segment information			
Impairment losses recognised in profit or loss	9,624	260	9,884
Impairment losses written back in profit or loss	–	(1,335)	(1,335)
Share of profits of associates	–	3,959	3,959
Investments in associates	–	26,142	26,142
Depreciation and amortisation	10,467	38,075	48,542
Capital expenditure*	24,863	188,815	213,678

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

Geographical information

(a) Revenue from external customers

	2015	2014
	RMB'000	*RMB'000*
The PRC	**1,233,968**	1,080,192
European Union	**599,097**	536,681
Middle East	**73,787**	98,782
United States	**66,897**	103,996
Others	**129,785**	146,396
	2,103,534	1,966,047

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

(b) Non-current assets

	2015	2014
	RMB'000	*RMB'000*
The PRC	**80,714**	78,295
The Netherlands	**657,597**	557,206
	738,311	635,501

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

Information about a major customer

During the year, there was no revenue from a single external customer accounted for 10% or more of the Group's total revenue (2014: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Revenue			
Sale of goods		**2,103,534**	1,966,047
Other income and gains			
Interest income		**31,578**	22,821
Foreign exchange gains		**3,414**	–
Government grants	*(i)*	**2,878**	930
Compensation income from suppliers	*(ii)*	**2,118**	–
Insurance claim for business interruption		**1,094**	2,634
Management fees income from an associate		**215**	910
Others		**4,355**	2,030
Total other income and gains		**45,652**	29,325

(i) Various government grants have been received for investments in Hunan province in the PRC in which the Company's subsidiaries operate. There were no unfulfilled conditions or contingencies relating to these grants.

(ii) In the year of 2012, one of the suppliers (the "Supplier") of Ausnutria Hyproca B.V. and its subsidiaries (collectively the "Ausnutria Hyproca Group") has notified the Ausnutria Hyproca Group that one of the raw materials that was previously delivered by the Supplier might have been contaminated. Compensation income from the Supplier represented the excess amount of compensation received from the Supplier over the cost that was recognised in prior years.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**1,413,748**	1,391,670
Write-down of inventories to net realisable value	**99,820**	7,172
Cost of sales	**1,513,568**	1,398,842
Depreciation	**40,321**	40,208
Amortisation of lease prepayments for land use rights	**57**	57
Amortisation of other intangible assets	**4,717**	8,277
Research and development costs	**18,995**	15,933
Minimum lease payments under operating leases	**3,935**	2,909
Loss on disposal of property, plant and equipment*	**842**	–
Foreign exchange differences, net	**(3,414)**	74
Write-off of trade receivables*	**3,248**	397
Write-off of other receivables*	**–**	720
Loss on disposal of items of other intangible assets*	**460**	442
Impairment of property, plant and equipment*	**–**	260
Auditors' remuneration:		
Current charge for the year	**5,637**	3,551
Underprovisions in prior years	**–**	1,750
Advertising and promotion expenses	**203,623**	146,372
Professional fees for resumption*	**–**	9,449
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and staff welfare	**250,108**	215,189
Pension scheme contributions**	**22,136**	18,070
	272,244	233,259

* *The write-off of trade and other receivables, impairment of property, plant and equipment and loss on disposal of items of property, plant and equipment and other intangible assets and professional fees for resumption are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**16,110**	14,740
Interest on finance leases	**952**	607
Total interest expense on financial liabilities not at fair value through profit or loss	**17,062**	15,347
Less: Interest capitalised	**(2,533)**	(4,787)
	14,529	10,560
Other finance costs:		
Unrealised loss/(gain) on an interest rate swap	**1,516**	(250)
	16,045	10,310

8. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. Under the Netherlands income tax laws, enterprises are subject to the Netherlands corporate income tax rate of 20% for the first EUR200,000 taxable profits and 25% for taxable profits exceeding EUR200,000. Under the USA tax laws, enterprises are subject to the USA corporate income tax rate of 34%. Under the Canada tax laws, enterprises are subject to the Canada corporate income tax rate of 38%.

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

	2015	2014
	RMB'000	*RMB'000*
Current charge for the year – Mainland China		
Charge for the year	**46,204**	40,480
Overprovision in prior years	**–**	(692)
Current charge for the year – The Netherlands		
Charge for the year	**7,768**	2,921
Overprovision in prior years	**(427)**	(871)
Deferred income tax	**(52,865)**	(21,286)
Total tax charge for the year	**680**	20,552

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,033,178,472 (2014: 986,843,000) in issue during the year.

Earnings

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**50,645**	90,219

Shares

	2015	2014
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,033,178,472**	986,843,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

10. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**213,031**	184,909
Finished goods	**361,850**	326,969
Others	**4,976**	3,681
Total	**579,857**	515,559

At 31 December 2015, certain of the Group's inventories that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EUR55,063,000 (equivalent to approximately RMB390,683,000) (2014: EUR40,879,000, equivalent to approximately RMB304,777,000) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

11. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**145,552**	124,115
Bills receivable	**39,844**	39,447
Total	**185,396**	163,562

The Group normally allows a credit period from 1 to 12 months (2014: from 1 to 12 months) to certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables, amounts due from associates of EUR271,000 (equivalent to approximately RMB1,923,000) (2014: EUR602,000, equivalent to approximately RMB4,491,000) are repayable on similar credit terms to those offered to the major customers of the Group.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**133,170**	106,602
3 to 6 months	**6,807**	11,396
6 months to 1 year	**3,112**	3,146
Over 1 year	**2,463**	2,971
Total	**145,552**	124,115

There was no provision for impairment as at 31 December 2015 (2014: Nil). The carrying amounts of the trade and bills receivables approximate to their fair values.

12. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	**307,620**	278,277
Time deposits	**955,728**	682,000
	1,263,348	960,277
Less: Pledged deposits	**(769,738)**	(216,900)
Non-pledged time deposits with maturity of between 3 months to 12 months	**(185,990)**	(465,100)
Cash and cash equivalents	**307,620**	278,277

13. TRADE PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
Within 12 months	**170,769**	184,107
Over 12 months	**1,923**	108
	172,692	184,215

Included in the trade payables, amount due to associates of EUR438,000 (equivalent to approximately RMB3,108,000) (2014: EUR4,215,000, equivalent to approximately RMB31,425,000) are repayable within 45 days.

Trade payables are interest-free and are normally settled within 12 months.

14. SHARE CAPITAL

Shares

	2015		2014	
	HK$'000	***RMB'000* equivalent**	*HK$'000*	*RMB'000* equivalent
Issued and fully paid: 1,247,732,530 (2014: 986,843,000) ordinary shares	**124,773**	**108,455**	98,684	86,866

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2014, 31 December 2014 and 1 January 2015	986,843,000	86,866	456,267	543,133
Acquisition of non-controlling interest *(Note (a))*	147,459,300	12,114	291,942	304,056
Issue of shares *(Note (b))*	113,430,230	9,475	198,969	208,444
	1,247,732,530	108,455	947,178	1,055,633
Share issue expenses	–	–	(2,019)	(2,019)
At 31 December 2015	1,247,732,530	108,455	945,159	1,053,614

Notes:

(a) On 12 January 2015, the Group entered into a share purchase agreement (as supplemented by the supplemental share purchase agreement and the letter of exchange dated 28 May 2015 and 31 July 2015, respectively) with Dutch Dairy Investments B.V. ("DDI") for the acquisition of the residual 49.0% equity interest in Ausnutria Hyproca at a consideration of approximately HK$470.3 million (the "Ausnutria Hyproca Acquisition"). The consideration was settled by HK$100,193,398 in cash and by the issuance of 147,459,300 Shares. Details of the acquisition are set out in the circular of the Company dated 30 June 2015. The acquisition was approved by the Shareholders at the extraordinary general meeting of the Company on 20 July 2015 and completed on 15 September 2015.

(b) On 28 October 2015, the Company proposed to raise approximately HK$249.55 million (equivalent to approximately RMB208.4 million) (before expenses) by way of an open offer (the "Open Offer") involving the issue of 113,430,230 offer shares at the subscription price of HK$2.20 per offer share (the "Offer Shares") on the basis of one Offer Share for every ten existing Shares held by the qualifying Shareholders. The Open Offer was fully underwritten by Center Laboratories, Inc. ("Center Lab") on the terms and conditions as set out in the underwriting agreement dated 28 October 2015 entered into between the Company and Center Lab at nil consideration. The dealing of the Offer Shares commenced on 22 December 2015.

Further details of the Open Offer were set out in the prospectus of the Company dated 27 November 2015.

BUSINESS REVIEW

The Year 2015 is special to the Company as, other than the change of substantial Shareholder and the completion of the Ausnutria Hyproca Acquisition, it was also the 12th anniversary since the commencement of the business of the Group in 2003. For Chinese, 12-year represented a cycle (the "Cycle"). During the past Cycle, the Group has successfully developed from a local infant formula player to a multinational company in the dairy industry with four factories (including one under construction) in the Netherlands and one in Changsha city, the PRC and with an annual sales of over RMB2.0 billion contributed from customers worldwide. As at 31 December 2015, the Group has engaged over 1,900 number of employees, of which approximately 1,455 employees were based in the PRC, approximately 398 based in the Netherlands and the remaining in other overseas countries.

During the Cycle, the development of the Group did not go as smoothly as planned, in 2012, the Shares was suspended from trading due to failure to timely report the financial performance of the Group in accordance with the Listing Rules. During the Year 2015, shortly after the completion of the upgrading plan of the Group's factories in the Netherlands, it was reported that some of the inventories produced in the Netherlands had failed to meet the Group's internal standards due to temporary commissioning problems in the production process (the "Temporary Instability in Production"). The total losses arising from the written-down of inventories in the Netherlands amounted to RMB97.8 million (equivalent to approximately EUR14.2 million) (the "Inventory Write-Off") for the Year 2015. The longer than expected time to upgrade the factory as well as the Temporary Instability in Production have also contributed to a serious shortage in the supply to the growing demand of the Group's own brand products and to the other customers, which in return has also caused an adverse impact on the profitability of the Group for the Year 2015.

For the Year 2015, the Group recorded revenue of approximately RMB2,103.5 million, representing an increase of approximately RMB137.5 million, or approximately 7.0%, when compared with the Year 2014. The Group's profit attributable to ordinary equity holders of the parent (including the share of the Inventory Write-Off of RMB97.8 million) decreased by approximately 43.9% to approximately RMB50.6 million for the Year 2015. Excluding the impact of the Inventory Write-Off, the Group's profit attributable to ordinary equity holders of the parent for the Year 2015 amounted to RMB86.6 million and this represented a decrease of approximately 4.0%, or approximately RMB3.6 million, when compared with the Year 2014.

The Company believes that the above incidents were one-off and with all the measurements that the Group has implemented in recent years, including but not limited to, the strengthening of the production processes and the internal controls of the Group, the Group's market share in the industry and hence performance will continue to improve in the years ahead.

Industry Overview

Due to the increasing public health awareness and the demand for higher food quality and safety standards worldwide, new regulations and policies have been proposed and launched from time to time in order to maintain the dairy industry's healthy growth and improve quality and safety standards in paediatric milk formula. In recent years, the government of the PRC has continued to launch series of new policies (the "New Policies") including (i) raising standards on granting/renewing production licenses for paediatric milk powder manufacturers in the PRC; (ii) requiring paediatric milk powder manufacturers to establish comprehensive tracking systems from production to distribution in the PRC; and (iii) requiring foreign enterprises to obtain registration of their factories and dairy products, now regulated by a more stringent set of new rules and regulations, before their products can be imported into the PRC. Under the New Policies, all the brands owned by the Group have been granted relevant import approvals whilst all of the overseas factories of the Group have also been successfully registered as approved overseas dairy products producers.

The Company believes that the dairy industry in the PRC, which is the Group's principal market, will continue to be challenging in the year ahead. On the one hand, it is anticipated that the market will continue to maintain a steady growth due to the relaxation of the one-child policy and the rising living standards in the PRC, while on the other hand, the continuous launch of new policies by the PRC government is bringing uncertainties to the development of the dairy industry. However, given the infrastructure that the Company has established in the past, including but not limited to, the solid wholly-owned overseas production base established in the Netherlands and the extensive distribution network in the PRC and overseas, the Group will benefit from the industry reforms in the long-run.

OUTLOOK

The Board believes that the Group's objective to acquire upstream dairy related assets was successfully achieved following the completion of the Ausnutria Hyproca Acquisition and the completion of the facilities upgrading projects of the Ausnutria Hyproca Group. In order to enhance the long-term growth of the Company and to cope with the growing in demand for nutritional products, in addition to the continuing strengthening of the research and development capabilities and the information technology system of the Group, the Group will focus on the development of the following four core strategies, being Expand, Focus, Extend and Strengthen:

EXPAND – Increase production capacity in the Netherlands

In 2014, the Group has approved and commenced the construction of a new factory in Heerenveen, the Netherlands (the "New Factory"). The purpose of investing in the New Factory is to improve the blending and packaging capacity as well as the quality standards of the Group. The total investment cost (including the cost of a plot of land with approximately 140,000 square meters and all the production facilities) is estimated to be approximately EUR83.0 million (equivalent to approximately RMB618.8 million). The construction of the New Factory will be financed by banking facilities granted to the Ausnutria Hyproca Group, the proceeds from the Open Offer as well as by the Group's internal working capital.

As at the date of this announcement, the Group has already invested approximately EUR43.5 million (equivalent to approximately RMB308.6 million) in the New Factory and the construction of the building has already been substantially completed. In the coming months, the Group will commence the construction works in relation to the interior settings and utilities installations, and thereafter the installation of the equipment and machineries. According to the latest schedule in relation to the construction of the New Factory, the trial production is targeted to commence by end of 2016 or early 2017.

The Board believes that the Group's productivity and quality standards and hence the turnover and profitability of the Group will be greatly enhanced upon the commencement of the operations of the New Factory.

FOCUS – Build a unique global position for paediatric formula

Goat milk-based

The Ausnutria Hyproca Group specialises in a complete chain of production from collecting fresh Dutch goat milk from farms to supplying finished goods. As such, it is one of the leading producers of goat milk products in the world. The Group introduced Kabrita series products in the PRC in 2011. In the same year and 2012, the Group entered into agreements with the medical school of Peking University for conducting a series of clinical trials of Kabrita series products. The trials' results revealed that goat milk-based powder is a good alternative to cow milk-based powder in a number of different aspects, including nutrition, digestion and development of one's immune system.

In 2014, the Group approved clinical trials to apply for approval by the Food and Drug Administration (the "FDA") for the sale of Kabrita series products in the United States. The conducting of the clinical trails and the application of the import approval to the United States of Kabrita series products has been carried out as scheduled.

The Group has also established subsidiaries with independent third parties for the sale of Kabrita series products in Russia and the Commonwealth of Independent States (the "CIS"), Europe, the Middle East, the United States and Canada (the "Kabrita JVs"). The Group will continue to launch Kabrita series products in other major countries and aims to become a global market leader in goat milk-based paediatric nutrition products. This ambition will be leveraged by the studies and clinical trial results conducted by (i) the medical school of Peking University; (ii) clinical studies in Europe; and (iii) the in-house research and development team in the Netherlands and in North America during the course of applying for FDA approval.

For the Year 2015, sale of Kabrita series products amounted to approximately RMB540.0 million, representing an increase of approximately 78.4%, when compared with the Year 2014. The compound annual growth rate in relation to sale of Kabrita since it was launched in 2011 was 128.9%. According to the data as obtained from the PRC customs, Kabrita has been considered as one of the best selling imported goal milk-based infant formula in the PRC in 2015.

Cow milk-based

The Group commenced its business for the marketing and distribution of cow milk-based infant formula in 2003. In order to secure the long-term growth of the Group, the Group acquired 51% and 49% equity interest in Ausnutria Hyproca in 2011 and 2015, respectively. In 2013 and 2014, in order to further integrate the business of the Ausnutria Hyproca Group and to support the future cow and goat milk-based own-branded infant formula development of the Group, the Group invested significant amounts on the capital expenditure plans in order to increase and improve the productivity and the quality standards of the Ausnutria Hyproca Group.

For the Year 2015, sale of cow milk-based own-branded infant formula increased by approximately 12.9% to approximately RMB649.7 million. The Group will continue to focus on the development of own-branded infant formula business which the net returns are comparatively higher when compared with other businesses of the Group.

EXTEND – Continue upward integration and product diversification

The Group considers that the ability to secure quality milk supply to be one of the critical success factors in the dairy industry.

Upon completion of the Ausnutria Hyproca Acquisition, the Group now not only owned the entire interests of the three factories and the New Factory, which are all located in the Netherlands with ample quality milk supply, to support the growing market demands on quality infant formula worldwide, but also the entire business chain from milk collection (via the investment in Farmel Holding B.V. (the "Farmel Group"), which its principally engaged in the collection and trading of cow and goat milk, in 2014) to production (via the factories in the Netherlands and the PRC) for the distribution of dairy products to the Group's worldwide customers.

The Group realises the business potentials and importance to continue the supply of quality nutrition products and to serve the infants in their future life. In order to meet the needs of the consumers, subsequent to the Year 2015, the Group has approved the commencement on the business in functional liquid milk (the "Liquid Milk") and the establishment of a work force for the conducting of nutrition business in the PRC. According to the business plans approved by the Board, the nutrition products will be imported from overseas suppliers with target customers primarily in the PRC. Subject to the progress of the developments, the initial investments by the Group in relation to the Liquid Milk and the nutrition business, which will be owned as to 55% and 60% by the Group, will be RMB20.0 million and RMB30.0 million, respectively. The remaining interests of the above two projects are owned by the management team of the two new businesses.

The Group will continue to make use of its internal resources and global network to explore potential investment opportunities in upstream dairy and/or nutrition related assets and operations to broaden the Group's milk powder supply sources and related dairy and/or nutrition related products to meet the global demand, in particular the PRC, with growing demands for quality health related products.

STRENGTHEN – Commitment on human resources

With the rapid growing in the scale of operations of the Group, the Board realises the importance of team building and human resources development to be one of the key factors for the continuing success of the Group. During the Year 2015, the Group has established Ausnutria University, an internal training organisation, to support the development of the key talents and to provide a continuous training to the employees.

Through the establishment of Ausnutria University and the committed investments in human resources, the Board believes that the human resources of the Group, which is considered to be the key asset of the Group, will be stronger in the long run and is considered to be essential for the long-term growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Analysis on Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2015	2014	Change
	RMB'M	*RMB'M*	*%*
REVENUE			
Own brands*	**1,205.8**	901.3	33.8%
Milk powder	**366.6**	228.5	60.4%
Private labels	**274.6**	486.5	-43.6%
Contract manufacturing	**16.2**	29.1	-44.3%
Butter	**108.2**	123.0	-12.0%
Others	**132.1**	197.6	-33.1%
	2,103.5	1,966.0	7.0%
Represented by:			
(A) Ausnutria China	**649.7**	575.5	12.9%
(B) Ausnutria Hyproca Group	**1,551.3**	1,491.8	4.0%
	2,201.0	2,067.3	6.5%
Less: Intersegment sales	**(97.5)**	(101.3)	-3.8%
The Group	**2,103.5**	1,966.0	7.0%

* *After elimination of intersegment sales*

For the Year 2015, the Group recorded revenue of approximately RMB2,103.5 million, representing an increase of approximately RMB137.5 million, or approximately 7.0%, from approximately RMB1,966.0 million for the Year 2014.

(A) Revenue – Ausnutria China

Ausnutria China is principally engaged in the production, marketing and distribution of imported paediatric cow milk formula in the PRC. In order to increase the competitiveness of Ausnutria China, Ausnutria China has launched a number of new infant formula under different brands in recent years in order to better penetrate into the different consumer sectors and to fulfill the wide range of demands of the consumers in the PRC.

An analysis of the Ausnutria China's revenue is as follows:

	2015	2014	Change
	RMB'M	*RMB'M*	*%*
Allnutria division	**316.8**	293.0	8.1%
Puredo division	**141.1**	101.4	39.2%
1897 division	**151.1**	130.3	16.0%
Others	**40.7**	50.8	–19.9%
Total	**649.7**	575.5	12.9%

Despite the Temporary Instability in Production which has caused an interruption in the supply of paediatric cow milk formula from the Ausnutria Hyproca Group (the upstream) to Ausnutria China, sale of own-branded paediatric cow milk formula was able to achieve an average annual growth rate of 12.9% and this was mainly attributable to the increasing marketing efforts by Ausnutria China during the Year 2015 and the gradually stabilization of the production and hence the increasing in supply from the Ausnutria Hyproca Group to cope with the growth in sale of Ausnutria China in the second half of 2015.

(B) Revenue – Ausnutria Hyproca Group

The Ausnutria Hyproca Group is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands and customers based in most of the major countries of the world.

An analysis of the Ausnutria Hyproca Group's revenue is as follows:

	2015	2014	Change
	RMB'M	*RMB'M*	*%*
Manufacturing for:			
Own brands	**556.1**	325.8	70.7%
Private labels	**274.6**	486.5	–43.6%
Sales to Ausnutria China	**97.5**	101.3	–3.8%
Milk powder	**366.6**	228.5	60.4%
Contract Manufacturing	**16.2**	29.1	–44.3%
Butter	**108.2**	123.0	–12.0%
	1,419.2	1,294.2	9.7%
Manufacturing and trading for:			
Cream and other dairy products	**132.1**	197.6	–33.1%
Total	**1,551.3**	1,491.8	4.0%

One of the long-term strategies of the Ausnutria Hyproca Group is to focus on the development of own-branded business (mainly Kabrita) which the profit contributions to the Group is much higher as compared with private labels and other businesses.

During the Year 2015, as a result of the Temporary Instability in Production after the upgrades of the production facilities in the Netherlands, the Group allocated its lower than planned production capacity mainly to satisfy the growing demands of its own-branded business (mainly Kabrita), the sale of other businesses decreased when compared with last year.

Besides, owing to the fact that some of the infant formula produced has failed to meet the internal quality standards of the Group, the concerned powder has been sold at a lower value as semi-finished milk powder, sale of milk powder segment for the Year 2015 increased by 60.4% when compared with last year.

Gross profit and gross margin

	Gross profit		Gross margin	
	2015	2014	**2015**	2014
	RMB'M	*RMB'M*	***%***	*%*
Ausnutria China	**329.4**	296.8	**50.7**	51.6
Ausnutria Hyproca Group*	**260.6**	270.4	**17.9**	19.4
The Group	**590.0**	567.2	**28.0**	28.9

* *After elimination of intersegment sales*

The Group's gross profit for the Year 2015 was approximately RMB590.0 million, representing an increase of approximately RMB22.8 million, or approximately 4.0%, when compared with the Year 2014.

The slight decrease in the gross profit margin was mainly due to the adverse impact as a result of the Inventory Write-Off in the Netherlands of approximately RMB97.8 million (equivalent to approximately EUR14.2 million), which accounted for approximately 4.6 percentage points of the gross profit margin, for the Year 2015. Excluding the impact of the Inventory Write-Off, the gross profit margin of the Group increased by 3.7% and this was mainly due to the increase in proportion of sales contributed by own-branded business, in particular, Kabrtia in the PRC, which the sale has increased from RMB259.4 million for the Year 2014 to RMB461.0 million for the Year 2015.

Other income and gains

An analysis of other income and gains is as follows:

		2015	2014
	Notes	***RMB'M***	*RMB'M*
Interest income on bank and other deposits	*(i)*	**31.6**	22.8
Compensation income/insurance claim for business interruption		**3.2**	2.6
Government grants	*(ii)*	**2.9**	0.9
Foreign exchange gain	*(iii)*	**3.4**	–
Others		**4.6**	3.0
		45.7	29.3

(i) Balance mainly represented the interest income derived from the bank deposits of Ausnutria China that were placed with banks in the PRC. The increase in interest income was a result of the continuous improvements in the average bank balances.

(ii) Balance mainly represented incentive income received from the government of the Hunan province for the contribution made by Ausnutria China in the Hunan province during the year.

(iii) Balance mainly represented exchange gain derived from the translation of the bank loans of the Group that were denominated in HK$ and EUR as at 31 December 2015.

Selling and distribution expenses

An analysis of selling and distribution expenses is as follows:

	2015	2014
	RMB'M	*RMB'M*
Ausnutria China	**232.0**	173.6
Ausnutria Hyproca Group	**265.6**	162.4
	497.6	336.0

Selling and distribution expenses mainly comprised advertising and promotion expense, salaries and travelling costs of the sales and marketing staff and delivery costs. Selling and distribution costs represented approximately 23.7% and 17.1% of revenue for the Year 2015 and the Year 2014, respectively.

The selling and distribution expenses of Ausnutria China represented approximately 35.7% (Year 2014: 30.2%) of Ausnutria China's revenue for the Year 2015. The increase in selling and distribution expenses of Ausnutria China was mainly due to the increase in marketing costs for brands building and the increase in distribution cost on channels to cope with the intense market competition during the year.

The selling and distribution expenses of the Ausnutria Hyproca Group represented approximately 17.1% (Year 2014: 10.9%) of the Ausnutria Hyproca Group's revenue (before elimination of intersegment sales) for the Year 2015. Included in the selling and distribution expenses of the Ausnutria Hyproca Group, approximately RMB190.3 million (Year 2014: RMB113.6 million) representing approximately 71.6% (Year 2014: 70.0%) related to the sales and marketing of Kabrita. Kabrita series has been one of the core products of the Group since it was launched in 2011. In order to further increase the Ausnutria Hyproca Group's market share of goat infant milk formula worldwide, the Ausnutria Hyproca Group continued to allocate more of its resources on the marketing and promotion of its product in order to enhance its market awareness. Besides, as a result of the Temporary Instability in Production and the implementation of the New Policies, the Ausnutria Hyproca Group incurred additional air freight charges for the delivery of its products in order to meet the schedule of its customers and additional laboratory testing costs in order to fulfill the requirements of the New Policies. Selling and distribution costs of the Ausnutria Hyproca Group increased during the year.

Administrative expenses

An analysis of the administrative expenses is as follows:

	2015	2014
	RMB'M	*RMB'M*
Ausnutria China	**52.4**	54.2
Ausnutria Hyproca Group	**63.9**	51.1
	116.3	105.3

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

The increase in the administrative expenses was primarily attributed to the increase in headcounts on both the managerial and administrative staff to cope with the continuous increase in the scale of operations of the Group, particularly in the Netherlands; bank charges for the new financing obtained by the Group; the professional fees for the business development and advisory services to the Group and the general increase in research and development costs.

Other expenses

Other expenses mainly comprised legal and professional fees incurred for the Ausnutria Hyproca Acquisition and the mandatory conditional general cash offer of all the Shares (details of which are set out in the composite document jointly issued by the offerors and the Company dated 2 July 2015) of a total of approximately RMB2.5 million (Year 2014: Nil); the write-off of trade receivables of approximately RMB3.2 million (Year 2014: approximately RMB0.4 million); and loss on disposal of property, plant and equipment and other intangible assets of a total of approximately RMB1.3 million (Year 2014: approximately RMB0.4 million).

Last year's other expenses also included professional fees incurred for the handling of the suspension of trading of the Shares on the Stock Exchange of approximately RMB9.4 million.

Finance costs

The finance costs of the Group for the Year 2015 amounted to approximately RMB16.0 million (Year 2014: RMB10.3 million), representing the interest on bank loans and other borrowings raised principally for the financing of the working capital and the capital expenditure plan (the "CAPEX Plan") of the Ausnutria Hyproca Group.

The increase in finance costs was mainly attributable to the drawdown of additional bank loans for the financing the working capital as a result of the adverse impact caused by the Temporary Instability in Production during the Year 2015 and the CAPEX Plan during the Year 2014.

Share of profit of an associate

During the Year 2014, the Ausnutria Hyproca Group invested in 50% of the equity interest in the Farmel Group for a consideration of EUR3.55 million (equivalent to approximately RMB26.1 million). Balance represented the share of profits of the Farmel Group for the Year 2015. The Farmel Group, which has entered into long-term contracts with farmers, is principally engaged in the collection and trading of milk in Europe.

Income tax expenses

The profits generated by the Group for the Year 2015 were mainly derived from operations in the PRC. Under the PRC income tax laws, enterprises are subject to CIT at a rate of 25%. Ausnutria China was designated as a High-tech Enterprise and was granted a preferential CIT tax rate of 15% for the Year 2015. All other subsidiaries established in the PRC are subject to the standard CIT rate of 25%. The standard CIT rate in the Netherlands was applied at 20% for the first EUR200,000 taxable profits and 25% for the taxable profits exceeding EUR200,000.

An analysis of the effective income tax rate by jurisdiction is as follows:

	Mainland China		The Netherlands		Others		Group	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Profit/(loss) before tax *(RMB'M)*	**170.4**	140.8	**(116.3)**	30.2	**(50.3)**	(33.7)	**3.8**	137.3
Income tax expense/(credit) *(RMB'M)*	**37.8**	24.9	**(27.5)**	(0.4)	**(9.6)**	(3.9)	**0.7**	20.6
Effective income tax rate *(%)*	**22.2**	17.7	**(23.6)**	(1.5)	**19.1**	11.6	**17.9**	15.0

The effective tax rate for profits generated from Mainland China for the Year 2015 at 22.2% (Year 2014: 17.7%) was mainly due to the proportionate increase in profit contributed by the Kabrita business which its operated under other subsidiary established in the PRC and is subject to the standard CIT rate of 25% as compared with Ausnutria China which is subject to the CIT rate of 15%.

The increase in the Group's effective tax rate from 15.0% for the Year 2014 to 17.9% for the Year 2015 was also due to the same reason as set out in the above.

Profit attributable to equity holders of the Company

	2015	2014
	RMB'M	*RMB'M*
Profit/(loss) for the year:		
The Group (other than the Ausnutria Hyproca Group)	**58.0**	69.8
Ausnutria Hyproca Group	**(7.4)**	20.4
Profit attributable to equity owners of the Company	**50.6**	90.2

The Group's profit attributable to equity owners of the Company for the Year 2015 amounted to approximately RMB50.6 million, representing a decrease of approximately 43.9% when compared with the Year 2014. The decrease in net profit was mainly attributable to the Inventory Write-Off of approximately RMB97.8 million during the Year 2015. As the Inventory Write-Off took place prior to the completion of the Ausnutria Hyproca Acquisition, the write-off has a net impact (i.e. after tax and sharing by the 49% non-controlling interests) on the Group's profit attributable to equity holders of the Company of approximately RMB36.0 million.

Excluding the impact of the Inventory Write-off and before taking into accounts the loss in margin that would otherwise be contributed by the concerned inventory, the Group's profit attributable to equity owners of the Company for the Year 2015 amounted to approximately RMB86.6 million, representing a decrease of approximately 4.0% when compared with the Year 2014.

ANALYSIS ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets

As at 31 December 2015, the total non-current assets of the Group amounted to approximately RMB837.1 million (31 December 2014: approximately RMB683.0 million), mainly comprised property, plant and equipment of approximately RMB586.3 million (31 December 2014: approximately RMB483.2 million), goodwill arising from the acquisition of 51% equity interest in Ausnutria Hyproca in 2011 of approximately RMB72.1 million (31 December 2014: approximately RMB75.7 million), other intangible assets of approximately RMB45.7 million (31 December 2014: approximately RMB44.5 million), interests in the Farmel Group of approximately RMB32.3 million (31 December 2014: RMB30.1 million) and deferred tax assets of approximately RMB98.8 million (31 December 2014: approximately RMB47.5 million).

The increase in the non-current assets of the Group as at 31 December 2015 was principally due to the increase in property, plant and equipment of the Ausnutria Hyproca Group as a result of the investment in the New Factory and the increase in deferred tax assets arising from the Inventory Write-Off of approximately RMB24.5 million (31 December 2014: Nil).

During the Year 2015, the Group invested approximately EUR19.0 million (equivalent to approximately RMB134.1 million) (Year 2014: approximately EUR15.8 million (equivalent to approximately RMB117.8 million)) on the New Factory.

Current assets

As at 31 December 2015, the total current assets of the Group amounted to approximately RMB2,193.4 million (31 December 2014: approximately RMB1,750.2 million), mainly comprised inventories of approximately RMB579.9 million (31 December 2014: approximately RMB515.6 million), trade and bills receivables of approximately RMB185.4 million (31 December 2014: approximately RMB163.6 million), pledged time deposits of approximately RMB769.7 million (31 December 2014: approximately RMB216.9 million), time deposits with banks in the PRC of approximately RMB186.0 million (31 December 2014: approximately RMB465.1 million) and cash and cash equivalents of approximately RMB307.6 million (31 December 2014: approximately RMB278.3 million).

Inventories

An analysis of the inventories is as follows:

	2015	2014
	RMB'M	*RMB'M*
Ausnutria China	**111.8**	120.7
Ausnutria Hyproca Group	**468.1**	394.9
	579.9	515.6

The inventory turnover days of Ausnutria China and the Ausnutria Hyproca Group as at 31 December 2015 was approximately 132 days (31 December 2014: approximately 138 days) and approximately 132 days (31 December 2014: approximately 101 days), respectively.

The inventory turnover days of Ausnutria China remained fairly stable when compared with last year. The increase in inventory turnover days of the Ausnutria Hyproca Group by 31 days was mainly due to the continuous increase in sales contributed by own brands business which requires a longer lead time from production to sale when compared with other segments.

Trade and bills receivables

An analysis of the trade and bills receivables is as follows:

	2015	2014
	RMB'M	*RMB'M*
Trade receivables:		
– Ausnutria China	**17.5**	24.6
– Ausnutria Hyproca Group	**128.1**	99.6
	145.6	124.2
Bills receivable	**39.8**	39.4
	185.4	163.6

The trade receivable turnover days of Ausnutria China and the Ausnutria Hyproca Group as at 31 December 2015 was approximately 12 days (31 December 2014: approximately 17 days) and approximately 29 days (31 December 2014: approximately 28 days), respectively, which remained fairly stable and were within the credit periods granted to the customers of the Group.

Pledged deposits

Most of the cash and bank balances of the Group is denominated in RMB and deposited with banks in the PRC. In order to finance the working capital, the CAPEX Plan and the construction of the New Factory of the Ausnutria Hyproca Group, the Group pledged additional RMB deposits in the PRC in order to obtain the bank facilities in Europe and Hong Kong.

Time deposits and cash and cash equivalents

As at 31 December 2015, the Group's cash and bank balances and time deposits amounted to a total of approximately RMB493.6 million, representing a decrease of approximately RMB249.8 million, or approximately 33.6%, from approximately RMB743.4 million as at 31 December 2014. The decrease was mainly due to the increase in pledged deposits for the reasons as set out in the above.

Current liabilities

As at 31 December 2015, the total current liabilities of the Group amounted to approximately RMB1,474.3 million (31 December 2014: approximately RMB1,121.7 million), mainly comprised trade payables of approximately RMB172.7 million (31 December 2014: approximately RMB184.2 million), other payables and accruals of approximately RMB475.8 million (31 December 2014: approximately RMB373.5 million), interest-bearing bank loans and other borrowings of approximately RMB757.0 million (31 December 2014: approximately RMB517.2 million) and CIT payables of approximately RMB66.9 million (31 December 2014: approximately RMB46.4 million).

Trade payables

An analysis of the trade payables is as follows:

	2015	2014
	RMB'M	*RMB'M*
Ausnutria China	**18.2**	10.6
Ausnutria Hyproca Group	**154.5**	173.6
	172.7	184.2

The trade payable turnover days of Ausnutria China and the Ausnutria Hyproca Group as at 31 December 2015 was approximately 16 days (31 December 2014: approximately 17 days) and approximately 50 days (31 December 2014: approximately 53 days), respectively, which remained fairly stable and were in line with the credit periods granted by the suppliers.

Interest-bearing bank loans and other borrowings

The interest-bearing bank loans and other borrowings as at 31 December 2015 were primarily used for the financing of the working capital and the CAPEX Plan of the Ausnutria Hyproca Group. The increase was mainly due to new bank loans were drawn down to finance the investment in the New Factory and the replenishment of the working capital of the Ausnutria Hyproca Group as a result of the adverse impact caused by the Inventory Write-Off during the year.

Non-current liabilities

As at 31 December 2015, the total non-current liabilities of the Group amounted to approximately RMB228.7 million (31 December 2014: approximately RMB96.6 million), comprised interest-bearing bank loans and other borrowings of approximately RMB189.2 million (31 December 2014: approximately RMB51.9 million), accruals for defined benefit plan of approximately RMB12.9 million (31 December 2014: approximately RMB15.7 million) and deferred tax liabilities of approximately RMB26.6 million (31 December 2014: approximately RMB29.1 million).

Accruals for defined benefit plan

One of the subsidiaries of the Ausnutria Hyproca Group operates unfunded defined benefit plans for its qualified employees. Under the plans, the qualified employees are entitled to retirement benefits at rates varying at certain percentage of their final salaries on attainment of a retirement age of 67. The accruals for defined benefit plans of approximately RMB12.9 million (31 December 2014: approximately RMB15.7 million) were determined based on the actuarial valuations as at 31 December 2015 carried out by independent professional valuers using the projected unit credit actuarial valuation method.

No defined benefit plan was operated by other companies of the Group.

Deferred tax liabilities

The balance represented (i) the tax effect arising from the timing differences on the depreciation and amortisation charged between accounting and tax reporting purpose that was attributed to the Ausnutria Hyproca Group as at 31 December 2015 and the fair value adjustment arising from the acquisition of Ausnutria Hyproca of a total of approximately RMB13.5 million (31 December 2014: approximately RMB16.8 million); and (ii) the withholding tax amounting to approximately RMB13.1 million (31 December 2014: approximately RMB12.3 million) calculated at 10% on the scheduled distributable profits of the PRC subsidiaries of the Group.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

Non-controlling interests

As at 31 December 2015, the balance mainly represented the minority interests in the Kabrita JVs. The significant decrease in the non-controlling interests balance when compared with the balance as at 31 December 2014 was mainly due to the completion of the Ausnutria Hyproca Acquisition during the Year 2015.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

Save for the Ausnutria Hyproca Acquisition as detailed above in this announcement, there were no material investments and acquisitions and disposals of subsidiaries and associated companies during the Year 2015.

FINANCIAL RESOURCES, LIQUIDITY AND PLEDGED OF ASSETS

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

	As at 31 December	
	2015	2014
	RMB'M	RMB'M
Cash and cash equivalents	**307.6**	278.3
Time deposits	**186.0**	465.1
Total bank loans and other borrowings	**946.2**	569.1
Total assets	**3,030.5**	2,433.3
Gearing ratio (1)	**31.2%**	23.4%

Note:

(1) Calculated as a percentage of total bank loans and other borrowings over total assets.

As at 31 December 2015, the Group had pledged the land and buildings, plant and machineries, inventories and trade receivables that were attributable to the Ausnutria Hyproca Group with a total carrying value of approximately EUR111.4 million, equivalent to approximately RMB790.7 million (31 December 2014: approximately EUR98.8 million, equivalent to approximately RMB736.8 million) and the time deposits that were attributable to Ausnutria China of RMB769.7 million (31 December 2014: RMB216.9 million) for the banking facilities granted to the Group.

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC and the Netherlands. During the Year 2015, revenue, cost of sales and operating expenses of the Group are mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$"), United States dollars ("US$") or EURO ("EUR") and RMB is the Group's presentation currency. The Group is exposed to potential foreign exchange risk as a result of fluctuation of HK$, US$ or EUR against RMB. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the year under review.

The management will monitor closely on its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

INTEREST RATE RISK

The Ausnutria Hyproca Group has exposure to the risk of change in market interest rate in relation to its interest-bearing bank loans and other borrowings with a floating interest rate. In order to minimise the impact of the interest rate exposure, the Ausnutria Hyproca Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of EUR2.5 million with 3-month floating EURO Interbank Offered Rate being swapped to a fixed interest rate of 4.45% per annum. The aforesaid derivative financial instrument will expire in October 2017.

CREDIT RISK

The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection to minimize credit risk. As the Group's exposure spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

The carrying amounts of cash and cash equivalents, trade and bill receivables, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to the Group's other financial assets.

COMMITMENTS

As at 31 December 2015, the Group, as lessee, had total future minimum lease payments under non-cancellable operating leases amounting to approximately RMB16.3 million (31 December 2014: approximately RMB8.0 million).

As at 31 December 2015, the Group had contracted, but not provided for, capital commitments in respect of purchase of plant and machineries and construction of the building of the New Factory of a total of approximately RMB172.9 million (31 December 2014: approximately RMB40.0 million).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

USE OF PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on 8 October 2009 with net proceeds from the global offering of the Shares in 2009 of approximately HK$823.1 million (after deducting underwriting commissions and related expenses) (the "Net IPO Proceeds"). The Net IPO Proceeds applied for the investment in upstream operations and the expansion of the Group's distribution network and brand building with each accounted for 30% of the Net IPO Proceeds; and for the enhancing of the Group's research and development efforts, the introduction of new series of organic paediatric nutrition products, the establishment of new production lines and warehouse and for the general working capital use with each accounted for 10% of the Net IPO Proceeds as set out in the Prospectus was fully utilised as at 31 December 2015.

The gross and net proceeds raised from the Open Offer which the dealing of the Offer Shares commenced on 22 December 2015 amounted to approximately HK$249.55 million and approximately HK$248.37 million, respectively. The utilisation of the net proceeds from the Open Offer as at 31 December 2015 was summarised as follows:

	Net proceeds from the Open Offer *HK$'000*	Utilised *HK$'000*	Balance as at 31 December 2015 *HK$'000*
Construction of new production facilities in the Netherlands	**130,000**	**(130,000)**	**–**
Repayment of borrowings in the Netherlands	**50,000**	**(50,000)**	**–**
Investment in potential investment opportunities	**50,000**	**–**	**50,000**
General working capital	**18,366**	**(18,366)**	**–**
	248,366	**(198,366)**	**50,000**

HUMAN RESOURCES

Number of full-time employees	**Mainland China**	**Hong Kong**	**The Netherlands**	**Others**	**Total**
31 December 2015					
The Group (other than the Ausnutria Hyproca Group)	**934**	**4**	**–**	**–**	**938**
Ausnutria Hyproca Group	**521**	**–**	**398**	**83**	**1,002**
	1,455	**4**	**398**	**83**	**1,940**
31 December 2014					
The Group (other than the Ausnutria Hyproca Group)	763	4	–	–	767
Ausnutria Hyproca Group	444	–	356	50	850
	1,207	4	356	50	1,617

For the Year 2015, total employee costs, including Directors' emoluments, amounted to approximately RMB272.2 million (Year 2014: approximately RMB233.3 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale.

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

SHARE OPTION SCHEME

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

Subsequent to 31 December 2015, on 21 January 2016, a total of 34,800,000 share options were granted, among which 6,100,000 were granted to the Directors and 28,700,000 were granted to employees of the Company. Details of the share options granted are set out in the announcement of the Company dated 21 January 2016.

DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK$0.03 (Year 2014: Nil) per Share for the Year 2015, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the issuance of 147,458,300 Consideration Shares under the Ausnutria Hyproca Acquisition and the 113,430,230 Offer Shares under the Open Offer, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Shares during the Year 2015 and up to the date of this announcement.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as its own code of corporate governance practices. The Board also strives to implement the best practices embodies in the CG Code where feasible and as far as practicable.

In the opinion of the Directors, the Company has complied with the respective code provisions of the CG Code during the Year 2015 and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the Year 2015 and up to the date of this announcement.

AUDIT COMMITTEE

The Company's audit committee comprises three independent non-executive Directors, namely, Mr. Lau Chun Fai Douglas, Ms. Ho Mei-Yueh and Mr. Jason Wan. The audit committee has reviewed the audited consolidated financial statements of the Group for the Year 2015 including the accounting principles and practices adopted by the Group and discussed with the management of the Company on matters relating to auditing, internal controls and financial reporting.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company for the Year 2015, which contains the detailed results and other information of the Company for the Year 2015 required pursuant to Appendix 16 to the Listing Rules, will be despatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ausnutria.com.hk in due course. This announcement can also be accessed on the above websites.

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

Changsha City, the People's Republic of China, 30 March 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yan Weibin (Chairman), Mr. Lin Jung-Chin, Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung; two non-executive Directors, namely Mr. Tsai Chang-Hai and Mr. Zeng Xiaojun; and three independent non-executive Directors, namely Ms. Ho Mei-Yueh, Mr. Jason Wan and Mr. Lau Chun Fai Douglas.