



Huishan Dairy Announces Its Annual Results for the Year Ended 31 March 2015
Turnover Increased 11.1%
Gross Profit Margin Maintained at a Optimum Level of 57.6%

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Enhances the Promotion of Pasteurized Milk and Premium UHT Milk
Consolidating Northeast Market and Develops Other Potential Provinces Proactively
Continues to Optimize Product Portfolio and Strengthen Brand Building

Financial Highlights

Year ended March 31

	2015		2014	
	Results before biological fair value adjustments RMB'000	Results after biological fair value adjustments RMB'000	Results before biological fair value adjustments RMB'000	Results after biological fair value adjustments RMB'000
Turnover	3,923,384	3,923,384	3,530,419	3,530,419
Gross profit margin	57.6%	22.7%	62.4%	20.1%
Profit for the year	907,636	877,075	1,249,410	1,249,410
Earnings per share (RMB)		0.06		0.10

(Hong Kong, 23 June 2015) **China Huishan Dairy Holdings Company Limited** today announced its annual results for the year ended 31 March 2015 Reporting Year .

During the Reporting Year, despite the fierce competition in the domestic dairy market, the Group still managed to achieve turnover of RMB3,923.4 million (the corresponding period in 2014: RMB3,530.4 million), representing a growth of 11.1%, by leveraging on the low cost advantage upstream resources and unique product market strategies. The Group achieved an overall gross profit margin of 57.6%, far higher than the average level of the industry. After biological fair value adjustments, profit for the year under review is RMB877.1 million. Earnings per share was RMB0.06.

The Board recommended a final dividend of RMB1.53 cents per share (the corresponding period in 2014:RMB2.16 cents). The total dividend amounted to approximately RMB219 million, with a dividend payout ratio of 25%.

Chairman and Chief Executive Officer of Huishan Dairy, Mr. Yang Kai, said, In 2014, as the imported milk powders in large packages being and the ing growth, the level of competition in the market of domestic dairy products, especially liquid milk products, has increased continuously. In response to these market conditions, we kept optimizing our product mix using our advantage of milk sources produced by our own farms and of our quality dairy products with high protein and fresh pasteurized dairy products, thus strengthening our differentiated competitiveness. We also focused on developing the Northern China market while consolidating our No.1 position in the liquid milk market in Northeast China. At the same time, with a view of continuously stepping up the expansion of the fully vertically integrated business model, the Group extended its model to

Yancheng City, Jiangsu Province, for the first time, and embark on building up its business presence in the extensive pasteurized milk market in the Eastern China region during the Reporting Year. In addition, the Group has also promoted international cooperation proactively. Through establishing a joint venture with FrieslandCampina and introducing the successful management and sales experience in IMF from FrieslandCampina, the Group strives to build up a local milk powder brand with international quality for Chinese consumers.

Dairy Farming Business

During the Reporting Year, turnover from the dairy farming business is RMB1,028.3 million (the corresponding period in 2014: RMB988.9 million), accounting for 26.2% turnover. As at 31 March 2015, the Group operated the largest number of dairy farms in China with 69 standardized dairy farms in Liaoning Province (the corresponding period in 2014: 59 dairy farms). The total herd size (includes Holsteins and Jerseys) increased from 144,191 dairy cows as of 31 March 2014 to 180,331 heads, of which 74,389 heads are milkable cows. With the increase in the number of milkable cows and more advanced and effective herd management, Huishan Dairy produced a total of 601,600 tonnes of raw milk in the Reporting Year, an increase of 19.9% for the corresponding period last year, average milk yield per milkable cow per annum was 9.1 tonnes. Notwithstanding the adverse environment, with the higher-than-average raw milk quality, the average selling price of raw milk still reached RMB4,873 per tonne (the corresponding period in 2014: RMB5,017 per tonne).

Feed is a crucial element in determining the cost and quality of raw milk. During the Reporting Year, the area of feeds plantation fields exceeded 480,000 mu, including alfalfa and corn silage plantation fields. It was significant that approximately 20,000 mu of the land was put under two-harvest trial cross cultivation of oats and corn silage, which turned out to be a breakthrough in such plantation in the agricultural industry in Northern China. This success will contribute to the control over feeds plantation cost in the future and bring greater profitability to Huishan Dairy's fully vertically integrated business model from the upstream sector. Moreover, the proximity of the feeds plantation to the processing plant will reduce the cost due to the shorter distance, and on the other hand address the environmental issues and offer a reliable source of fertilizers.

Liquid Milk Business

During the Reporting Year, sales of liquid milk products reached RMB2,421.7 million, representing an increase of 5.9%, which accounted for 61.7% of the Group's total sales. Gross margin before internal raw milk supply elimination for the liquid milk business increased to 29.6% (the corresponding period in 2014: 28.5%).

Leveraging its industry-leading upstream resources, the Group optimized and upgraded its product mix through technological innovation and quality fresh milk sources from its self-operated dairy farms as the cornerstone to achieve its differentiated competitiveness. The Group launched its exclusive

During the Reporting Year, Huishan Dairy focused on strengthening the leading position among the domestic market and increased its efforts in promoting and marketing of pasteurized milk in the Northeastern market to increase the sales proportion of pasteurized milk in the total sales of liquid milk products. In the market outside Northeast China, the Group mainly promoted its ultra-premium

At present

outside of the Three Northeastern Provinces. The Group continued to beef up its business presence in new regional markets, including Shandong, Beijing, Tianjin, Hebei, Henan and Chongqing, etc. In the future, the Group will gradually increase the number of these key cities and distributors to increase its market share in these new regions. As at March 31, 2015, Huishan Dairy has 100,000 home delivery subscribers and approximately 100,000 home delivery subscribers.

Milk Powder Business

During the Reporting Year, turnover from the milk powder business surged by 86.5% to RMB 473.3 million. At present, the Group has a distribution network of approximately 1,049 distributors (the corresponding period in 2014: 418) and 8,785 distribution stores. The Group sold a

total of 12,987 tonnes of dairy ingredient products (the corresponding period in 2014: 3,458 tonnes) during the Reporting Year. Huishan Dairy is dedicated to developing the domestic IMF market and expanding its distribution network. Based in markets in Northeastern Region and Central China, the Group continued to build up its business based in markets in East China, South China, Southwestern Region, etc. Currently, Huishan Dairy is selecting major distributors in key cities for cooperation in provinces such as Henan, Shandong and Hebei. In the future, the Group will gradually increase the number of these cities and distributors to increase its product coverage. In addition, the Group has established a number of Weixin public platforms, as well as completed the specialy commenced online operation in order to make rapid response to the consumption demand of consumers. While focusing on the establishment of distribution channels, Huishan Dairy has also strived to meet the practical needs on diversifying its product offerings, with the launch of (輝智) series and family-oriented series adult milk powder. The Group has also established a profitable distribution model based on the features of its products. In addition, the Group also launched the new IMF series, namely, 輝山紅裝) and sold products directly to mother-and-baby stores to enhance the profitability of these stores. Moreover, to enhance its brand building, Huishan Dairy has entered into a strategic cooperation agreement with the Liaoning branch of PICC Property and Casualty Company Limited, in order to enhance the influences, the recognition and loyalty of customers for both brands in regional markets.

Strategic Partnership with FrieslandCampina

In May 2014, Huishan Dairy entered into exclusive negotiation with FrieslandCampina for establishing a joint venture, and completed the agreement on April 1, 2015. The Group will provide the joint venture with raw milk from its self-managed farm, which FrieslandCampina will share its sales network for IMF in China to the joint venture, and the professional knowledge on how to operate the supply chain of IMF, the product promotion and the marketing capability. Immediately after the transaction, the joint venture 100Day certain working groups to guarantee smooth implementation of the established business plan of joint venture.

Replicate Success of “Vertically Integrated Dairy Value Chain” Model to East China

On 3 November 2014, Huishan Dairy entered into an official joint venture agreement with Alpha and Alpha Spring will hold 65% and 35% of the total equity interest, respectively. The joint venture will establish a fully vertically-integrated dairy value chain in Yancheng City in Jiangsu Province, for feeds planting and processing, dairy farming, processing of dairy products, sales and marketing as well as distributing milk products to markets in East China. Now, the construction of a farm with a capacity of 7,000 Jersey cows was commenced and is expected to be completed by late 2015. While the construction of liquid milk processing plant with designed production capacity of 180,000 tonnes per year was commenced in late March 2015 and is expected to be completed and commence operation in September 2016. This cooperation is the key strategy for the Group in entering and expanding to markets apart from Northeast region. Moreover, it is the major milestone for Huishan Dairy to transform into a national dairy enterprise from a regional brand.

Looking forward, Huishan Dairy will leverage on its high-quality upstream raw milk resources to create a formidable product barrier against its regional competitors. Through optimizing its product structure, the Group will continue to enrich and upgrade its product profile and focus on promoting Dr. Fresh (鮮博士) pasteurized milk products. Besides, the Group will continue to expand its sales channel and enhance the Vertically Integrated Value Chain Hushan Dairy aims to forge a brand image of

, with its exclusive protein content resources of 3.6 grams becoming the starting point for consumers in the new market to recognize the Huishan brand. Making a good use of the combination of the advantages in regional brand and channel, Huishan Dairy will add vigour to its flattening the sales model, so as to gain a leading position in the pasteurized milk market in Northeast region.

Mr. Yang Kai, concluded, China's dairy industry is growing rapidly with the acceleration of urbanization and people increasing awareness of healthy life. The demand for high quality and healthy dairy is increasing and there is vast room for the dairy industry development in China. Moreover, with the continuous monitoring on the quality and safety of milk powder by the Chinese Government and the gradual improvement of the safety control system which will enhance the traceability of milk products within the whole industry chain, the milk powder market in China will develop in a healthy and positive manner. To capture these opportunities, we will maintain our obligation to provide consumers with safe and high quality dairy products, and continue to broaden the scale of our fully vertically integrated value chain business model. Leverage by our quality and fresh milk sources from our self-operated dairy farms which create competitive advantage, we will grasp the opportunity of dairy farming transformation and upgrading, to further enhance our position amidst the keen competition in the industry and enlarge our market share steadily.

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About China Huishan Dairy Holdings Company Limited (Stock code: 6863)

China Huishan Dairy Holdings Company Limited is a leading and the most vertically-integrated dairy growing and processing of alfalfa and supplementary feeds, processing of concentrated feed, dairy farming a only company in China capable of providing 100% of the raw milk required for the production of liquid milk and milk powder products based on raw milk produced by the self-impeccable product safety record and high quality products stand behind a brand worthy of the trust of consumers in China. Huishan Dairy is a company publicly listed on the Main Board of the Stock Exchange of Hong Kong Limited since 2013. For details, please visit <http://www.huishandairy.com>

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