

China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

Stock Code 股份代號 : 1117



MODERN FARMING
现代牧业



2017
INTERIM REPORT
中期報告



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CORPORATE INFORMATION

公司資料

BOARD OF DIRECTORS

Executive Directors

Ms. GAO Lina (*Deputy Chairman and Chief Executive Officer*)
Mr. HAN Chunlin (*Chief Operation Officer*)

Non-Executive Directors

Mr. YU Xubo (*Chairman*) (resigned on 29 March 2017)
Mr. LU Minfang (*Chairman*) (appointed on 29 March 2017)

Mr. WOLHARDT Julian Juul
Mr. HUI Chi Kin, Max (resigned on 29 March 2017)
Mr. ZHANG Ping
Mr. SUN Yugang (resigned on 29 March 2017)
Mr. WEN Yongping (appointed on 29 March 2017)

Independent Non-Executive Directors

Mr. LI Shengli
Mr. LEE Kong Wai, Conway
Mr. KANG Yan
Mr. ZOU Fei (resigned on 29 March 2017)

AUDIT COMMITTEE

Mr. LEE Kong Wai, Conway (*Chairman*)
Mr. WOLHARDT Julian Juul
Mr. KANG Yan

REMUNERATION COMMITTEE

Mr. LI Shengli (*Chairman*)
Mr. ZHANG Ping
Mr. KANG Yan

NOMINATION COMMITTEE

Mr. LU Minfang (*Chairman*)
Mr. KANG Yan
Mr. LEE Kong Wai, Conway

STRATEGY AND DEVELOPMENT COMMITTEE

Ms. GAO Lina (*Chairman*)
Mr. LI Shengli
Mr. WOLHARDT Julian Juul
Mr. WEN Yongping

AUTHORISED REPRESENTATIVES

Ms. GAO Lina
Mr. LI Kwok Fat

COMPANY SECRETARY

Mr. LI Kwok Fat

HEADQUARTERS

Economic and Technological Development Zone
Maanshan City, Anhui Province
PRC

董事會

執行董事

高麗娜女士(*副主席兼總裁*)
韓春林先生(*營運總經理*)

非執行董事

于旭波先生(*主席*) (於二零一七年三月二十九日辭任)
盧敏放先生(*主席*)
(於二零一七年三月二十九日獲委任)

WOLHARDT Julian Juul先生
許志堅先生(於二零一七年三月二十九日辭任)
張平先生
孫玉剛先生(於二零一七年三月二十九日辭任)
溫永平先生(於二零一七年三月二十九日獲委任)

獨立非執行董事

李勝利先生
李港衛先生
康龔先生
鄒飛先生(於二零一七年三月二十九日辭任)

審核委員會

李港衛先生(*主席*)
WOLHARDT Julian Juul先生
康龔先生

薪酬委員會

李勝利先生(*主席*)
張平先生
康龔先生

提名委員會

盧敏放先生(*主席*)
康龔先生
李港衛先生

戰略及發展委員會

高麗娜女士(*主席*)
李勝利先生
WOLHARDT Julian Juul先生
溫永平先生

授權代表

高麗娜女士
李國發先生

公司秘書

李國發先生

總辦事處

中國
安徽省馬鞍山市
經濟技術開發區

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104, Cayman Islands

HONG KONG OFFICE

Suites 801-2, 8/F, COFCO Tower
262 Gloucester Road, Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Finance Limited
PO Box 1093
Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

LEGAL ADVISORS

As to Hong Kong Law

Cleary Gottlieb Steen & Hamilton (Hong Kong)

As to PRC Law

Commerce & Finance Law Offices

As to Cayman Islands Law

Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Agricultural Development Bank of China Maanshan Branch
China Construction Bank Maanshan Branch
Bank of Communication Maanshan Branch
Citibank N.A. Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1117

WEBSITE

<http://www.moderndairyir.com>

註冊辦事處

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104, Cayman Islands

香港辦事處

香港香港銅鑼灣告士打道262號
中糧大廈8樓801-2室

股份過戶登記總處

Maples Finance Limited
PO Box 1093
Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

香港股份過戶登記分處

香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心17樓1712-1716室

法律顧問

香港法律

佳利(香港)律師事務所

中國法律

通商律師事務所

開曼群島法律

Maples and Calder

核數師

德勤•關黃陳方會計師行

主要銀行

中國農業發展銀行馬鞍山市分行
中國建設銀行馬鞍山市分行
中國交通銀行馬鞍山分行
美國花旗銀行香港分行

股份代號

香港聯合交易所有限公司：1117

網址

<http://www.moderndairyir.com>

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

Industry Overview

On 10 June 2017, International Farm Comparison Network (IFCN) announced at the 18th IFCN Dairy Conference held in Kiel, Germany, that the global dairy crisis, which lasted for four years since the end of 2013, has duly ended and the milk prices will enter into a phase of steady growth as the global oversupply of raw milk in a macro circumstance is almost under control, and supply and demand balance is fundamentally stable. From January to May 2017, the milk production of dairy products in the major exporting countries was 118,810,000 tons, decreased by 1.10% from last year, which was mainly attributable to the fact that the low milk prices in the past three years has led to a decline in global dairy herd size. It is expected that the demand will dominate the market in the next two to three years. In the short term, with the northern hemisphere entering into summer, the insufficient supply due to a decrease in the production of raw milk from the main producing countries of raw milk will play a role in pushing up the milk prices.

In China, after Chinese Lunar New Year in 2017, the decrease in demand for raw milk by the major dairy enterprises and a short-term oversupply in the raw milk market resulted in a decline of raw milk prices. During the summer of 2017, raw milk production decreased due to the heat stress of cows caused by the high temperature and rainy weather throughout the country. After the decline in milk production, the requirements of purchasing raw milk of dairy enterprises had been significantly relaxed, and more efforts were made in providing support and incentives in respect of the heat stress work in farm so as to prevent continuous and significant decline in milk production, despite there being no shortage of milk supply.

業務回顧

行業概覽

二零一七年六月十日，國際奶農聯盟IFCN在德國凱爾舉行的第18屆IFCN奶業大會上宣佈，自二零一三年末以來歷時4年的全球奶業危機正式結束，奶價將進入平穩增長階段，全球已經基本擺脫原料奶供給過剩的宏觀局面，供需平衡已基本穩定。二零一七年一至五月份主要乳製品出口國牛奶產量11,881萬噸，同比去年減少1.10%，主要原因是過去三年的低奶價導致全球奶牛存欄下降，預計未來二至三年內需求將會主導市場。短期來看，隨著北半球進入夏季，主要原奶生產國產量下降，供給不足對推高奶價起到一定作用。

在中國，二零一七年春節後，各大乳企對原奶需求減小，原奶市場出現短期供大於求的現象，從而導致原奶價格下調。二零一七年夏季全國各地普遍出現高溫、陰雨天氣，奶牛熱應激造成原奶產量下降。奶量下降後，乳企雖沒有出現缺奶的緊張情況，但在原奶收購環節已經明顯放寬要求，且對牧場熱應激工作上已開始加大扶持、獎勵力度，以防止奶量繼續大幅下降。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

During the first half of 2017, numerous activities were organized by relevant state authorities and industry associations, so as to promote the development of the industry, including, among others, “Quality Report of China Dairy Industry (2017)” 《中國奶業品質報告(2017)》 released by the Dairy Association of China, together with Milk and Dairy Product Quality Supervision, Inspection and Test Center of Ministry of Agriculture (農業部奶及奶製品品質監督檢驗測試中心); the 8th Dairy Conference of China & 2017 China Dairy Exhibition held by the Dairy Association of China; 2017 China’s Dairy Industry D20 Summit held with the theme of “Building Brands and Revitalizing Dairy Industry”; D20 enterprises have built a good corporate image by donation of dairy products worth RMB44 million to the students in impoverished areas in the “Milk Action to Build a Well-off Society in China” (中國小康牛奶行動) which was sponsored by Ministry of Agriculture and the Dairy Association of China; Each of the industry initiatives helped the orderly development of China’s dairy industry and the establishment of national brands, and further promoted the consumption of dairy products.

二零一七年上半年，國家相關部門、行業協會等相繼組織多次活動以促進行業發展，其中包括：中國奶業協會和農業部奶及奶製品品質監督檢驗測試中心發佈《中國奶業品質報告(2017)》；中國奶業協會舉辦第八屆中國奶業大會暨2017中國奶業展覽會；以「鑄就品牌·振興奶業」為主題的2017中國奶業D20峰會召開；農業部和奶協共同發起「中國小康牛奶行動」，D20企業累計向貧困地區學生捐贈貨值4,400萬的乳製品，樹立了良好的企業形象。各項行業舉措有助於中國奶業有序發展、建立民族品牌，進一步促進乳製品消費。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Business Review

China Modern Dairy Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) is primarily engaged in two business segments: (i) dairy farming business, which mainly involves the production and sales of raw milk to customers for processing into dairy products; and (ii) the business of liquid milk of our own brand, which mainly involves the production and sales of liquid milk products.

For the six months ended 30 June 2017, the Group’s unit price of the raw milk decreased from RMB4.04/kg in the same period of the last year to RMB3.59/kg, down by 11.14%. With the increase in the numbers of dairy cows and milk yield per cow, the milk yield of the Group in the first half of 2017 amounted to 598,000 tons, representing a year-on-year increase of 7.75%. During the reporting period, the sales revenue of raw milk realized by the Group as a whole was RMB1.939 billion, increased by 23.23% on a year-on-year basis. Benefiting from the cost control and an increase in milk yield, the gross margin of the Group’s raw milk sales business decreased by 5.5 percentage points in the first half of the year, a decline, to a lesser extent, than that in the raw milk price for the same period. Affected by the sluggish market demand and the transition of brand milk business, the sales and profit from the business of liquid milk of the Group with our own brand significantly decreased in the first half of 2017.

Despite that the external operating environment was still hard, all indicators in terms of operation have achieved certain extent of improvements. For the six months ended 30 June 2017, the Group’s milk yield per cow was 9.8 tons, which increased by 0.4 tons from 9.4 tons in the same period of last year, while cash cost of raw milk decreased to RMB2.42/kg from RMB2.51/kg for the same period of last year.

As a pioneer in domestic large-scale farming, the Group has won widespread recognition from both domestic and overseas food and technological sectors successively. In May 2017, room-temperature pure milk of the Group was awarded with the gold prize in food category at the Monde Selection for the fourth time, becoming the only product which won the award for four times in our country; while the room-temperature yogurt was also awarded the silver prize in food category for the first time. In June 2017, the Group’s production mode of “Integration of Planting, Breeding and Processing” was officially qualified with SGS certification by Société Générale de Surveillance S.A., becoming the first and only enterprise in China qualified with SGS certification, which meant that our advanced production mode had passed the stringent inspection conducted by the international authoritative inspection institution and achieved the world-class standards. With the authentication of the room-temperature and pasteurized milk being recognised as quality milk, the Group has become the first enterprise with such acceptance of certification.

業務回顧

中國現代牧業控股有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要從事兩項業務，包括：(i) 奶牛養殖業務(主要生產和銷售原料奶予客戶用於加工成乳製品)；及(ii) 自有品牌液態奶業務(主要生產和銷售液態奶產品)。

截至二零一七年六月三十日止六個月，本集團原奶單價從上年同期的人民幣4.04元/公斤降低到人民幣3.59元/公斤，降幅達11.14%。隨著牛頭數及單產的提高，集團於二零一七年上半年產奶量為59.8萬噸，同比上升7.75%。在報告期內，本集團整體實現原奶銷售收入人民幣19.39億元，同比上升23.23%。得益於成本控制及單產提升，本集團上半年原奶銷售業務毛利率減少5.5個百分點，低於同期原奶價格下滑幅度。受市場需求疲軟及品牌奶市場業務過渡影響，二零一七年上半年集團自有品牌液態奶業務的銷售及利潤均出現較大幅度的減少。

雖然外部運營環境依舊艱難，但運營方面各項指標均取得一定的提升。截至二零一七年六月三十日止六個月，本集團奶牛單產達9.8噸，較去年同期9.4噸提高了0.4噸。公斤原奶現金成本由去年同期的人民幣2.51元，下降至每公斤人民幣2.42元。

作為國內最早開展規模化養殖的探路者，本集團先後獲得國內外食品界及科技界的肯定。二零一七年五月，本集團常溫純奶第四次榮獲「世界食品品質評鑒大會」食品類金獎，成為國內唯一四次榮獲此項殊榮的產品；同時常溫酸奶也首次榮獲食品類銀獎。二零一七年六月，本集團「種養加一體化」生產模式正式通過瑞士通用公證行SGS認證，成為國內首家、也是唯一一家通過SGS認證的企業，意味著本集團先進的生產模式已經經過國際權威檢測機構的嚴苛檢驗，達到世界級標準。本集團常低溫產品同時通過優質乳驗收，是國內首個通過驗收的企業。

Since China Mengniu Dairy Company Limited (“Mengniu Company”, together with its subsidiaries, the “Mengniu Group”) completed the mandatory cash offer for the Company in March 2017, there has been close cooperation between the Company and Mengniu Company. On 16 June 2017, the Company initially entered into a supply and processing framework agreement with Mengniu Group, which is still subject to the Company’s independent shareholders’ approval. The synergistic cooperation will not only help the Company improve its profitability but also promote the long-term development of the milk under the brand of the Group. On 11 July 2017, the Company and Mengniu jointly launched a key strategic product, “fresh” pure milk. Its innovative design of the silver “refrigerator” concept symbolizes that the product packaging keeps milk fresh as a refrigerator does. Also on the refrigerator-style design is a LCD panel which underlines the characteristic of “only two hours from milking to processing”. Such design aims to expand the sales market and bring more development opportunities.

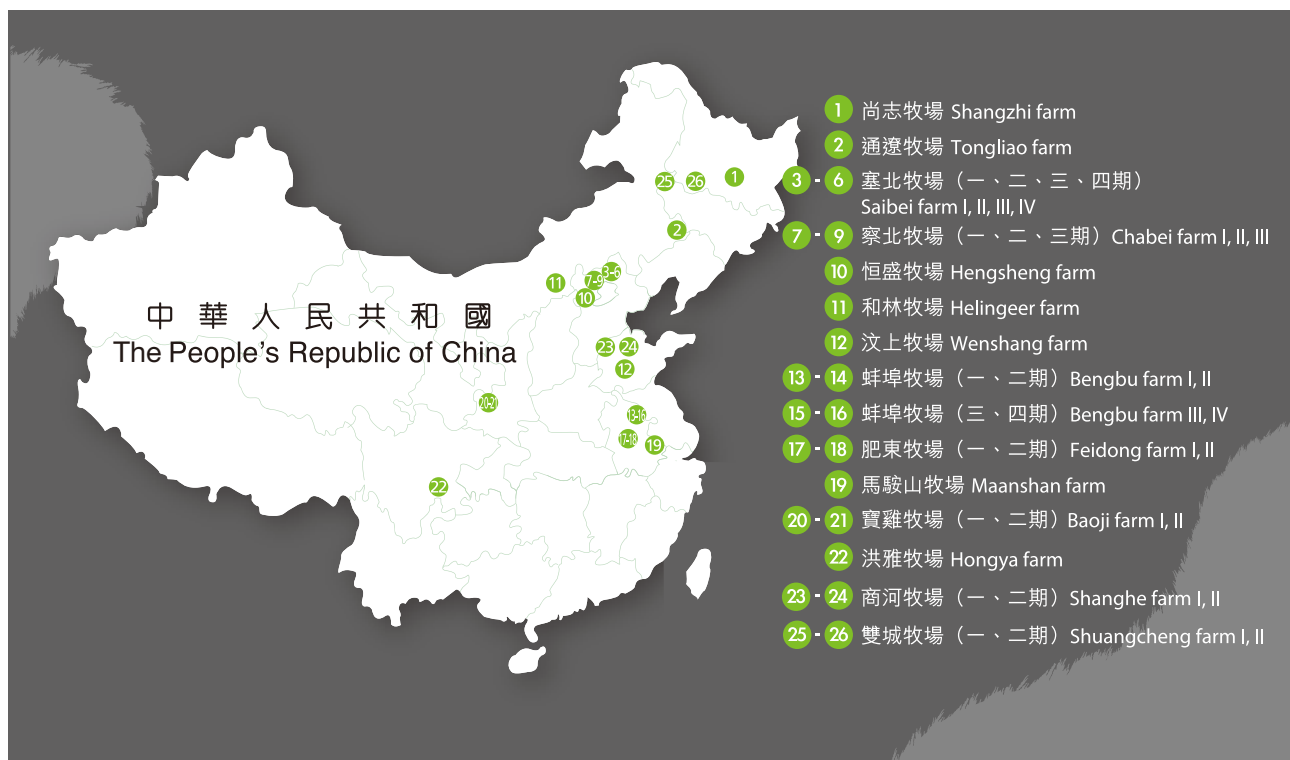
自中國蒙牛乳業有限公司(「蒙牛公司」，連同其附屬公司統稱「蒙牛集團」)於二零一七年三月完成對本公司的強制性現金要約收購，本公司與蒙牛公司的合作更為緊密。於二零一七年六月十六日本公司與蒙牛集團初步簽訂了框架供應和加工協議，有關協議尚待本公司獨立股東批准。在此協同合作下，將有助改善本公司的盈利能力，更有助本集團品牌牛奶的長期發展。同年七月十一日，公司與蒙牛攜手推出重點戰略產品「鮮語」純牛奶，採用銀白色「冰箱」概念的創新設計，以象徵產品包裝如冰箱保持牛奶新鮮，而冰箱包裝上的液晶屏則突現了「從擠奶到加工僅需兩小時」的特點，從而開拓更多的銷售市場，帶來更多的發展機遇。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

OUR FARMS

我們的畜牧場



As of 30 June 2017, the Group had 26 self-owned farms in the People's Republic of China ("PRC") with a total of approximately 223,217 dairy cows.

截至二零一七年六月三十日，本集團共在中華人民共和國（「中國」）自有營運26個畜牧場，共有約223,217頭乳牛。

Herd size

畜群規模

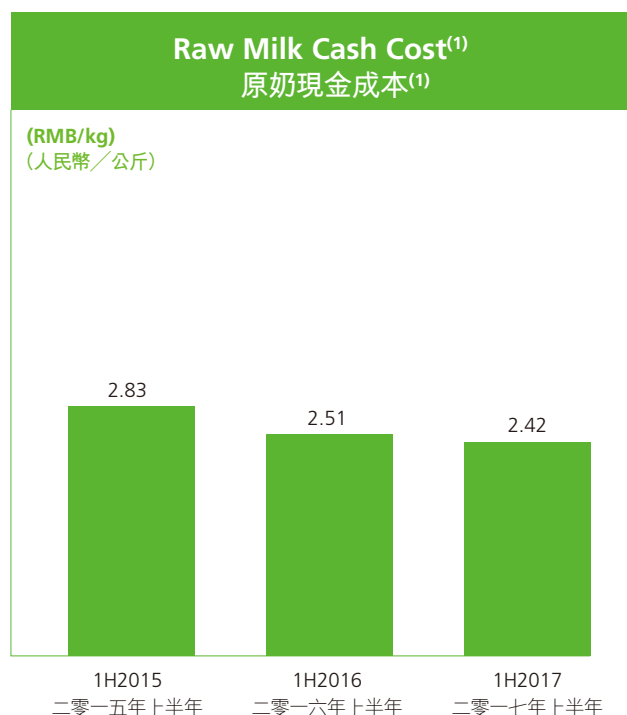
Dairy cows	乳牛
Milkable cows	奶牛
Heifers and calves	小乳牛及小牛
Total number of dairy cows	乳牛總計

30 June 2017 二零一七年 六月三十日 Heads 頭	31 December 2016 二零一六年 十二月三十一日 Heads 頭
117,240	119,286
105,977	109,914
223,217	229,200

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

We are the largest dairy farming company in terms of herd size as well as the largest raw milk producer in the PRC. As at 30 June 2017, the current herd size is 223,217 compared to 229,200 as at 31 December 2016.

我們為中國最大奶牛養殖公司(以畜群規模計)以及最大原奶生產商。於二零一七年六月三十日，現有畜群規模為223,217頭，二零一六年十二月三十一日為229,200頭。



Note:

(1) The cost of sales raw milk (before eliminating the internal related costs of sales of the supply of raw milk) excluding the depreciation divided by the sales volume of raw milk (before eliminating the internal sales of raw milk).

附註：

(1) 原奶銷售成本(對銷供應原奶的內部相關銷售成本前)(不包括折舊)除以原奶銷售量(對銷內部銷售原奶前)。

MILK YIELD

The Group's performance is directly affected by the milk yield per cow. In general, when the milk yield per cow improves the unit cost of production will decrease. Milk yield per cow is affected by a number of factors, such as a cow's stage of lactation, breed, genetics and feed mix. The Group has achieved an average annual milk yield per cow of 9.8 tons during the reporting period, representing an increase of 4.26% from 9.4 tons for last corresponding period. Such results are attributable to the effective herd management, genetic improvement of our cows throughout generations and increase in number of cows reaching the peak stage of lactation.

產奶量

本集團的業績受每頭奶牛的產奶量直接影響。一般而言，當每頭奶牛的產奶量有所改進，生產單位份量牛奶的現金成本便會減少。每頭奶牛產奶量受多項因素所影響，如乳牛的泌奶階段、品種、遺傳、及飼料調配。於報告期間，本集團錄得平均每頭奶牛年產奶量9.8噸，較去年同期的9.4噸增加4.26%。這是由於有效的畜群管理、透過一代代改善乳牛基因以及更多奶牛達至泌乳高峰期所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL OVERVIEW

Revenue

The following table sets out the breakdown of consolidated revenue by two operating segments for the six months ended 30 June 2017 and 30 June 2016:

		Six months ended 30 June 截至六月三十日止六個月					
		2017 二零一七年			2016 二零一六年		
		External Sales 外部銷售	Internal Sales 內部銷售	Subtotal 小計	External Sales 外部銷售	Internal Sales 內部銷售	Subtotal 小計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Sales of dairy farming business	奶牛養殖銷售業務	1,939,288	139,032	2,078,320	1,573,715	341,272	1,914,987
Sales of liquid milk products business	液態奶產品銷售業務	405,092	-	405,092	655,395	-	655,395
Consolidated revenue	合併收入	2,344,380	139,032	2,483,412	2,229,110	341,272	2,570,382

The Group's revenue increased by 5.16% from RMB2.229 billion for the six months ended 30 June 2016 to RMB2.344 billion for the six months ended 30 June 2017 primarily due to the increase in sales of raw milk.

下表分別是截至二零一七年六月三十日及二零一六年六月三十日止六個月兩個投產分部合併收入明細分析：

本集團的收入自截至二零一六年六月三十日止六個月的人民幣22.29億元上升5.16%至截至二零一七年六月三十日止六個月的人民幣23.44億元，上升的主要原因為原奶銷售量增加所致。

Dairy farming business

Despite that the selling price of raw milk (as an aggregate of external and internal sale) decreased by 10.44% as compared to the corresponding period last year, revenue from our dairy farming business increased by 8.53% as compared to the corresponding period last year. Such increase was primarily due to an increase in our raw milk sales volume of 21.18% as compared to the corresponding period last year. The following table sets out the sales amount, sales volume and average selling price (ASP) of our raw milk for the periods indicated:

		Six months ended 30 June 截至六月三十日止六個月					
		2017 二零一七年			2016 二零一六年		
		Sales amount 銷售收入	Sales volume 銷售量	ASP 平均售價	Sales amount 銷售收入	Sales volume 銷售量	ASP 平均售價
		RMB'000 人民幣千元	tons 噸	RMB/KG 人民幣元/公斤	RMB'000 人民幣千元	tons 噸	RMB/KG 人民幣元/公斤
Raw milk	原奶						
External sales	外部銷售	1,939,288	539,716	3.59	1,573,715	389,437	4.04
Internal sales	內部銷售	139,032	37,777	3.68	341,272	87,118	3.92
Subtotal	小計	2,078,320	577,493	3.60	1,914,987	476,555	4.02

奶牛養殖業務

儘管我們的原料奶(外部及內部總計)售價較去年同期下降10.44%，但是我們的奶牛養殖業務收入較去年同期增加8.53%，主要是由於我們的原奶銷售量較去年同期上升21.18%所致。有關所示期間的原料奶的銷售收入、銷售量及平均售價詳見下表：

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Liquid milk products business

Revenue from our liquid milk products business decreased by 38.17% from RMB655 million for the six months ended 30 June 2016 to RMB405 million for the six months ended 30 June 2017, which accounted for 29.4% and 17.28% of our consolidated turnover for the six months ended 30 June 2017 and 2016, respectively.

Due to the impact of sluggish market demand and transition of brand milk market, total sales volume of our liquid milk decreased by 43.47% from 76,229 tons for the six months ended 30 June 2016 to 43,092 tons for the six months ended 30 June 2017. The following table sets out the breakdown of sales amount, sales volume and average selling price of our liquid milk products for the periods indicated:

液態奶產品業務

液態奶產品業務的收入自截至二零一六年六月三十日止六個月的人民幣6.55億元減少38.17%至截至二零一七年六月三十日止六個月的人民幣4.05億元。截至二零一七年及二零一六年六月三十日止六個月液態奶產品收入分別佔該等期間合併營業額的17.28%及29.40%。

受業務及品牌奶市場過渡的影響，我們的液態奶總銷售量自截至二零一六年六月三十日止六個月的76,229噸減少43.47%至截至二零一七年六月三十日止六個月的43,092噸。於所示期間的液態奶產品的銷售收入、銷售量及平均售價對比如下：

		Six months ended 30 June 截至六月三十日止六個月					
		2017 二零一七年			2016 二零一六年		
		Sales amount	Sales volume	ASP	Sales amount	Sales volume	ASP
		銷售收入	銷售量	平均售價	銷售收入	銷售量	平均售價
		RMB'000	tons	RMB/KG	RMB'000	tons	RMB/KG
		人民幣千元	噸	人民幣元/公斤	人民幣千元	噸	人民幣元/公斤
Liquid milk products	液態奶產品	405,092	43,092	9.40	655,395	76,229	8.60

COST OF SALES BEFORE RAW MILK FAIR VALUE ADJUSTMENT

The Group's cost of sales before raw milk fair value adjustment primarily consisted of dairy farming cost and liquid milk products cost. Cost of sales before biological fair value adjustment of dairy farming business included raw materials, labor cost, utilities, depreciation and other farm costs. Cost of sales of liquid milk products business included raw materials, labor cost, depreciation, utilities and other processing costs. The following table sets forth the breakdown of the cost of sales for our products for the periods indicated:

原料奶公平值調整前的銷售成本

本集團的原料奶公平值調整前的銷售成本主要包括奶牛養殖成本及液態奶產品成本。奶牛養殖業務的生物公平值調整前的銷售成本包括原材料、勞工成本、公用事業費用、折舊及畜牧場其他開支。液態奶產品業務的銷售成本包括原材料、勞工成本、折舊、公共事業費用及其他加工成本。下表載列本集團產品於所示期間的銷售成本明細：

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Cost of sales before raw milk fair value adjustment of dairy farming business 原料奶公平值調整前的奶牛養殖業務銷售成本

		Six months ended 30 June 截至六月三十日止六個月			
		2017 二零一七年		2016 二零一六年	
		RMB'000 人民幣千元	% 百分比	RMB'000 人民幣千元	% 百分比
Raw materials	原材料	1,142,298	75.40%	980,486	75.99%
Labor cost	勞工成本	102,753	6.78%	76,485	5.93%
Utilities	公用事業費用	32,865	2.17%	28,116	2.18%
Depreciation	折舊	117,976	7.79%	94,765	7.34%
Other costs of farms	畜牧場其他開支	119,140	7.86%	110,470	8.56%
Subtotal of cost of sales before raw milk fair value adjustment of dairy farming business	原料奶公平值調整前的 奶牛養殖業務銷售 成本小計	1,515,032	100%	1,290,322	100%
Inter-segment cost	內部成本	(101,111)		(232,388)	
Cost of external sales before raw milk fair value adjustment of dairy farming business	原料奶公平值調整前的 奶牛養殖業務銷售 成本	1,413,921		1,057,934	

With the increase in the sales volume of raw milk, total raw materials (before eliminating cost of sales in relation to internal supply of raw milk) for the six months ended 30 June 2017 increased to RMB1,142 million from RMB980 million for the corresponding period last year, representing an increase of 16.50%.

Meanwhile, the cost (excluding depreciation) per ton of raw milk sold (before offsetting cost of sales in relation to internal consumption of raw milk) decreased by 3.57% from RMB2,509 for the corresponding period last year to RMB2,419 for the six months ended 30 June 2017, mainly due to an increase in annual milk yield per cow.

隨著原奶銷量的增加，截至二零一七年六月三十日止六個月的總原材料成本（對銷內部原料奶供應相關銷售成本前）由去年同期的人民幣9.80億元增至人民幣11.42億元，同期的增幅為16.50%。

同時，我們售出的每噸原料奶的成本（抵銷內部原料奶消耗相關銷售成本前）（除折舊外），由去年同期的人民幣2,509元降低至截至二零一七年六月三十日止六個月的人民幣2,419元，降幅為3.57%，主要是由於每頭奶牛的年產奶量的上升所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Cost of sales of liquid milk product business

液態奶產品業務的銷售成本

Six months ended 30 June

截至六月三十日止六個月

	2017 二零一七年		2016 二零一六年	
	RMB'000 人民幣千元	% 百分比	RMB'000 人民幣千元	% 百分比
Raw materials	280,029	78.34%	457,756	85.58%
Labor cost	15,711	4.39%	15,944	2.98%
Depreciation	26,260	7.35%	22,919	4.29%
Utilities	11,579	3.24%	12,855	2.40%
Other processing costs	23,893	6.68%	25,382	4.75%
Subtotal of cost of sales before raw milk fair value adjustment of liquid milk product business	357,472	100%	534,856	100%
Inter-segment cost	(45,997)		(89,049)	
Cost of external sales before raw milk fair value adjustment of liquid milk product business	311,475		445,807	

Raw material cost for the six months ended 30 June 2017 decreased from RMB457.8 million for the corresponding period last year to RMB280.0 million, representing a decrease of 38.83%. Sales of our liquid milk decreased by 38.19% to RMB405.1 million for the six months ended 30 June 2016 from RMB655.4 million for the corresponding period last year.

截至二零一七年六月三十日止六個月的原材料成本由去年同期的人民幣457.8百萬元減少至人民幣280.0百萬元，跌幅為38.83%。我們的液態奶銷售額由去年同期的人民幣655.4百萬元減少38.19%至截至二零一六年六月三十日止六個月的人民幣405.1百萬元。

Cost (excluding depreciation) per ton of liquid milk sold increased from RMB6,716 for the corresponding period last year to RMB7,686 for the six months ended 30 June 2017, representing an increase of 14.44%. It was due to inadequate utilization of productivity.

我們售出的每噸液態奶的成本(除折舊外)，由去年同期的人民幣6,716元增加至截至二零一七年六月三十日止六個月的人民幣7,686元，增幅為14.44%。主要是由於產能利用率不足所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin of our two operating segments for the periods indicated:

毛利及毛利率

下表載列我們運營的兩個業務分部於所示期間的毛利及毛利率明細分析：

		Six months ended 30 June 截至六月三十日止六個月			
		2017 二零一七年		2016 二零一六年	
		Gross profit		Gross profit	
		Gross profit	margin	Gross profit	margin
		毛利	毛利率	毛利	毛利率
		RMB'000		RMB'000	
		人民幣千元		人民幣千元	
Dairy farming business	奶牛養殖業務				
Before elimination	對銷前	563,288	27.10%	624,665	32.62%
After elimination	對銷後	525,367	27.09%	515,781	32.77%
Liquid milk products business	液態奶產品業務				
Before elimination	對銷前	47,620	11.76%	120,539	18.39%
After elimination	對銷後	93,617	23.11%	209,588	31.98%

• Dairy farming business

Gross profit of our dairy farming business (before eliminating cost of sales in relation to internal supply of raw milk) decreased by 9.83% from RMB624.7 million for the six months ended 30 June 2016 to RMB563.3 million for the six months ended 30 June 2017. The decrease above was primarily due to the decrease in selling price of raw milk.

Gross profit margin of our dairy farming business (before eliminating cost of sales in relation to internal supply of raw milk) decreased from 32.62% for the six months ended 30 June 2016 to 27.10% for the six months ended 30 June 2017, primarily due to the decline in selling price of raw milk.

• Liquid milk products business

Gross profit of our liquid milk products business decreased by 60.50% from RMB120.5 million for the six months ended 30 June 2016 to RMB47.6 million for the six months ended 30 June 2017. Gross profit margin of our liquid milk products business decreased from 18.39% for the six months ended 30 June 2016 to 11.76% for the six months ended 30 June 2017. The decrease above was primarily due to the decrease in sales volume of our branded milk products and the increase in the costs resulting from the inadequacy of utilization of productivity.

• 奶牛養殖業務

奶牛養殖業務的毛利(對銷內部原料奶供應相關銷售成本前)自截至二零一六年六月三十日止六個月的人民幣624.7百萬元降低9.83%至截至二零一七年六月三十日止六個月的人民幣563.3百萬元。上述減少主要是由於原料奶的售價下降所致。

奶牛養殖業務的毛利率(對銷內部原料奶供應相關銷售成本前)自截至二零一六年六月三十日止六個月的32.62%降至截至二零一七年六月三十日止六個月的27.10%，主要是由於原料奶售價下降所致。

• 液態奶產品業務

液態奶產品業務的毛利自截至二零一六年六月三十日止六個月的人民幣120.5百萬元減少60.50%至截至二零一七年六月三十日止六個月的人民幣47.6百萬元。液態奶產品業務的毛利率自截至二零一六年六月三十日止六個月的18.39%下降至截至二零一七年六月三十日止六個月的11.76%。上述減少主要是由於我們品牌奶的銷售量減少及產能利用率不足導致成本上升所致。

LOSSES ARISING FROM CHANGES IN THE DAIRY COW FAIR VALUE LESS COSTS TO SELL OF DAIRY COWS

The Group's dairy cows were fair valued by the directors of the Company on 30 June 2017 while the value of the Group's dairy cows as at 31 December 2016 has been arrived at on the basis of an independent valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Losses arising from changes in the dairy cow fair value less costs to sell of dairy cows were RMB497.08 million for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB499.2 million), mainly attributable to the decrease in selling price of raw milk.

GAINS ARISING ON INITIAL RECOGNITION OF AT FAIR VALUE LESS COSTS TO SELL AT THE POINT OF RAW MILK HARVEST

Our gains arising from initial recognition at fair value less costs to sell at the point of raw milk harvest decreased by 10.0% from RMB557.3 million for the six months end 30 June 2016 to RMB501.4 million for the six months ended 30 June 2017, mainly due to the decline in the selling price of raw milk.

International Financial Reporting Standards (IFRS) required that raw milk harvested be initially measured at fair value less costs to sell, and the difference between the fair value less costs to sell and the actual costs incurred be charged to profit or loss.

OTHER INCOME

For the six months ended 30 June 2017, other income amounted to RMB27.8 million (six months ended 30 June 2016: RMB40.2 million). Other income mainly consisted of government grants and interest income, of which interest income for the six months ended 30 June 2017 amounted to RMB5.3 million (for the six months ended 30 June 2016: RMB5.0 million), and government grants for the six months ended 30 June 2017 amounted to RMB13.8 million (for the six months ended 30 June 2016: RMB32.7 million). Government grants mainly consisted of subsidies for agricultural projects and subsidies for the operations of the Group.

乳牛公平值變動減乳牛出售成本產生的虧損

本集團乳牛乃由本公司董事於二零一七年六月三十日作出公平估值，而本集團乳牛於二零一六年十二月三十一日的估值則由仲量聯行企業評估及諮詢有限公司進行獨立估值而達致。截至二零一七年六月三十日止六個月，乳牛公平值變動減乳牛出售成本產生的虧損為人民幣497.08百萬元（截至二零一六年六月三十日止六個月：人民幣499.2百萬元），主要是由於原料奶售價下降所致。

於原料奶收穫時按公平值減銷售成本初始確認產生的收益

我們於原料奶收穫時按公平值減銷售成本初始確認產生的收益自截至二零一六年六月三十日止六個月的人民幣557.3百萬元降低10.0%至截至二零一七年六月三十日止六個月的人民幣501.4百萬元。主要是由於原料奶售價下降所致。

國際財務報告準則要求按公平值減銷售成本初始計量已收穫的原料奶，而公平值減銷售成本與所產生的實際成本之間的差異計入損益內。

其他收入

截至二零一七年六月三十日止六個月，其他收入為人民幣27.8百萬元（截至二零一六年六月三十日止六個月：人民幣40.2百萬元），其他收入主要包括政府補貼及利息收入，其中截至二零一七年六月三十日止六個月利息收入為人民幣5.3百萬元（截至二零一六年六月三十日止六個月：人民幣5.0百萬元），其中截至二零一七年六月三十日止六個月政府補貼為人民幣13.8百萬元（截至二零一六年六月三十日止六個月：人民幣32.7百萬元）。政府補助金主要包括對農業項目的補貼及對本集團營運提供補助。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

OPERATING EXPENSES

Selling and distribution costs	銷售及分銷成本
Administrative expenses	行政開支
Total operating expenses	經營開支總額

Our operating expenses increased from RMB266.1 million for the six months ended 30 June 2016 to RMB454.0 million for the six months ended 30 June 2017.

- **Selling and distribution costs**

Selling and distribution costs mainly consisted of, among other things, transportation costs for sales of raw milk, transportation costs for sales of liquid milk products, salaries of sales personnel and daily expenses.

The amount of raw milk transportation costs included in selling and distribution costs increased to RMB73.6 million for the six months ended 30 June 2017 from RMB50.6 million for the corresponding period of last year, mainly attributable to an increase in the sales volume of raw milk and the expanded transportation distance for sales of raw milk.

The amount of liquid milk marketing and promotion expenses included in selling and distribution costs increased to RMB80.1 million for the six months ended 30 June 2017 from RMB6.2 million for the corresponding period of last year, mainly attributable to an increase in our allocation of market publicity expenses to tackle intensive market competition from branded products and to increase the market share of our branded products.

經營開支

Six months ended 30 June

截至六月三十日止六個月

2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
244,351	136,172
209,691	129,891
454,042	266,063

我們的經營開支由截至二零一六年六月三十日止六個月的人民幣266.1百萬元增至截至二零一七年六月三十日止六個月的人民幣454.0百萬元。

- **銷售及分銷成本**

銷售及分銷成本主要包括原奶銷售的運輸費用、液態奶銷售的運輸費用及銷售人員工資和日常開支等。

計入銷售及分銷成本的原奶運輸費用由上年同期的人民幣50.6百萬元增加至截至二零一七年六月三十日止六個月的人民幣73.6百萬元。主要是由於增加銷售原奶數量、擴大原奶銷售的運輸距離所致。

計入銷售及分銷成本的液態奶營銷及宣傳開支由上年同期的人民幣6.2百萬元增加至截至二零一七年六月三十日止六個月的人民幣80.1百萬元。主要是為應對激烈的品牌產品市場競爭及增加品牌產品市場份額，我們加大了市場宣傳費用的投放力度所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

The breakdown of selling expenses is set forth below:

銷售費用明細如下：

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Farm segment	牧場分部		
Transportation costs	運輸費	73,618	50,570
Liquid milk segment	液奶分部		
Transportation, loading and unloading costs	運輸裝卸費	34,321	66,549
Staff remuneration	職工薪酬	22,217	4,380
Publicity expenses	宣傳費	80,138	6,150
Others	其他	33,018	8,430
Business tax and surcharge	營業稅金及附加	1,039	93
Total selling and distribution costs	銷售及分銷成本總額	244,351	136,172

• Administrative expenses

Administrative expenses mainly consisted of, among other things, remuneration of management (including equity-based share option expenses) and depreciation of office buildings, staff quarters and facilities, of which remuneration of management (excluding equity-based share option expenses) increased from RMB50.2 million for the six months ended 30 June 2016 to RMB58.7 million for the six months ended 30 June 2017.

During the six months ended 30 June 2017, equity-based share option expenses included in the administrative expenses amounted to RMB83.0 million as compared to RMB12.5 million for the six months ended 30 June 2016, representing an increase of 564.00%. It was mainly due to a one-off amortization of remaining unamortized value of options after the acceptance by staffs of the offer made by Mengniu in respect of their options during the reporting period.

• 行政開支

行政開支主要包括管理人員薪酬(含以股權結算的購股權開支)及辦公樓、職工宿舍與設施折舊等，其中管理人員薪酬(不包括以股權結算的購股權開支)由截至二零一六年六月三十日止六個月的人民幣50.2百萬元增至截至二零一七年六月三十日止六個月的人民幣58.7百萬元。

截至二零一七年六月三十日止六個月行政開支中以股權結算的購股權開支為人民幣83.0百萬元，截至二零一六年六月三十日止六個月為人民幣12.5百萬元。增幅564.00%，主要是由於報告期間員工期權接受蒙牛要約後，期權剩餘未攤銷價值一次性攤銷所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

OTHER GAINS AND LOSSES

Losses arising from other gains and losses amounted to RMB183.2 million (six months ended 30 June 2016: losses arising from other gains and losses amounted to RMB388.8 million). Other gains and losses mainly consisted of, among other things, net loss (gain) of fair value arising from financial liabilities measured at fair value through profit or loss (FVTPL), net amount of foreign exchange losses and impairment loss from receivables.

As a result of the failure of certain distributors to settle the trade receivables on time when they were due, the Group has therefore recognized an impairment loss of RMB156.4 million accordingly. A loss of fair value of RMB387.8 million arising from financial liabilities measured FVTPL was recorded for the same period last year.

FINANCE CHARGES

Finance charges decreased slightly from RMB195.8 million of the corresponding period last year to RMB183.0 million for the six months ended 30 June 2017. The slight decrease in finance costs was mainly due to one-off amortization of initial fees of RMB35.7 million due to the early repayment of the offshore borrowings of USD390.0 million for the corresponding period last year.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Taking into account of all the above factors, the loss attributable to owners of the Company was RMB666.3 million for the six months ended 30 June 2017. The loss attributable to the owners of the Company was RMB565.7 million for the six months ended 30 June 2016.

Basic loss per share was approximately RMB11.20 cents (six months ended 30 June 2016: basic earnings per share of RMB10.66 cents).

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2017, the Group's cash flow used in operating activities amounted to RMB0.57 million, as compared to net cash generated from operating activities of RMB404.4 million for the six months ended 30 June 2016.

As at 30 June 2017, the Group's available and unutilized banking facilities amounted to approximately RMB5,155.1 million (31 December 2016: RMB6,709.3 million). In the opinion of the Group's management, the working capital available to the Group is sufficient to meet its present needs.

其他收益及虧損

其他收益及虧損所產生的虧損為人民幣183.2百萬元（截至二零一六年六月三十日止六個月：其他收益及虧損所產生的虧損為人民幣388.8百萬元），其他收益及虧損主要包括按公平值計入損益的金融負債所產生的公平值虧損（收益）淨額、外匯虧損淨額、應收賬款減值損失等。

主要是因有部份分銷商未能於貿易應收款項到期時清還，本集團已就該應收貿易賬款確認減值虧損人民幣156.4百萬元。上年同期主要包括公平值計入損益的金融負債所產生的公平值虧損人民幣387.8百萬元。

財務開支

財務開支由去年同期的人民幣195.8百萬元微降至截至二零一七年六月三十日止六個月的人民幣183.0百萬元。融資成本微降主要由於去年同期提前償還3.9億美元境外貸款導致初始費用一次性攤銷人民幣35.7百萬元所致。

本公司持有人應佔虧損

經計及上述所有因素後，截至二零一七年六月三十日止六個月，本公司持有人應佔虧損為人民幣666.3百萬元，截至二零一六年六月三十日止六個月本公司持有人應佔虧損為人民幣565.7百萬元。

每股基本虧損約人民幣11.20分（截至二零一六年六月三十日止六個月：每股基本虧損人民幣10.66分）。

流動資金及財務資源

截至二零一七年六月三十日止六個月，本集團的經營活動所使用的現金流量為人民幣0.57百萬元，截至二零一六年六月三十日止六個月所得為人民幣404.4百萬元。

於二零一七年六月三十日，本集團的可動用及未動用銀行融資額度約人民幣5,155.1百萬元（二零一六年十二月三十一日：人民幣6,709.3百萬元）。本集團的管理層認為，本集團的可動用營運資金足以應付其目前需要。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Interest-bearing borrowings

As at 30 June 2017, the interest-bearing debt ratio, being the ratio of total interest-bearing borrowings to total assets, was 42.5% (31 December 2016: 38.22%). As at 30 June 2017, all interest-bearing borrowings were denominated in Renminbi.

Bank borrowings	銀行借款
Short-term debenture	短期債券
Medium-term notes	中期票據
Corporate bonds	企業債券
Other borrowing	其他借款
Carrying value repayable:	應償還賬面值：
Within one year	一年以內
Between one and two years	一至兩年內
Between two and five years	兩至五年內

有息借款

於二零一七年六月三十日，有息負債比率（即有息借款總額對總資產的比率）為42.5%（二零一六年十二月三十一日：38.22%）。於二零一七年六月三十日，所有有息借款均以人民幣計值。

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
3,415,445	3,885,825
499,394	799,425
1,796,450	1,796,605
1,045,820	249,020
435,129	75,489
7,192,238	6,806,364
4,754,478	4,116,277
1,132,940	1,367,902
1,304,820	1,322,185
7,192,238	6,806,364

Bank borrowings

The annual interest rate of the bank borrowings for the six months ended 30 June 2017 varied from 0.90% to 6.40% (six months ended 30 June 2016: 1.81% to 6.40%).

The table below sets forth our short-term and long-term bank borrowings for the dates indicated below:

銀行借款

截至二零一七六年六月三十日止六個月內，銀行借款的年利率變幅為0.90%至6.40%（截至二零一六年六月三十日止六個月：1.81%至6.40%）。

下表列載我們於下列所示日期的短期及長期銀行借款：

Bank borrowings	銀行借款
Unsecured borrowings	無抵押借款
Secured borrowings	有抵押借款
Guaranteed borrowings	已擔保證借款
Carrying amount repayable:	應償還賬面值：
Within one year	一年以內
Between one to two years	一至兩年內
Between two to five years	兩至五年內

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
3,415,445	3,885,825
1,624,495	2,000,736
222,950	404,589
1,568,000	1,480,500
3,415,445	3,885,825
2,638,945	3,278,325
517,500	133,000
259,000	474,500
3,415,445	3,885,825

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Other borrowings

In June 2016, the Group entered into a financing arrangement with Far Eastern Leasing Co., Ltd, pursuant to which the Group transferred the legal title of certain equipment of the Group to Far Eastern Leasing Co., Ltd at net consideration of RMB96,250,000. The Group is obligated to pay quarterly instalment of RMB11,325,000 from July 2016 to July 2018 and the remaining balance of RMB6,913,000 will be paid in October 2018. Upon the maturity of the lease, the Group is entitled to buy back the equipment at cash consideration of RMB100. Despite that the arrangement takes a legal form of a lease, the Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method in accordance with the substance of the arrangement.

In May 2017, the Group entered into two entrusted loan agreements with Mengniu Group and Agricultural Bank of China (“ABC”), pursuant to which, Mengniu Group agreed to offer borrowing facilities of RMB1,500,000,000 to the Group through ABC. The borrowing facilities will mature in May 2020 and bear interest at rates determined based on the benchmark interest rate of People’s Bank of China. During the current period, the Group drew down borrowings of RMB377,000,000 under the agreements. The borrowings will mature within one year and bear interest at rates ranged from 3.96% to 4.00% per annum.

其他借款

於二零一六年六月，本集團與Far Eastern Leasing Co., Ltd訂立融資協議，據此，本集團以淨代價人民幣96,250,000元向Far Eastern Leasing Co., Ltd轉讓若干設備的法律業權。本集團有責任於二零一六年七月至二零一八年七月支付每季分期款項人民幣11,325,000元，而剩餘結餘人民幣6,913,000元則將於二零一八年十月支付。於租賃到期時，本集團有權以現金代價人民幣100元購回設備。儘管安排涉及租賃法律形式，本集團根據安排實質內容使用實際利息法按攤銷成本將安排入賬為有抵押借款。

於二零一七年五月，本集團與蒙牛集團及中國農業銀行（「農行」）訂立兩項委託貸款協議，據此，蒙牛集團同意透過農行向本集團提供借款融資人民幣1,500,000,000元。借款融資將於二零二零年五月到期並按中國人民銀行基準利率計息。於本期間，本集團已根據有關協議提取借款人民幣377,000,000元。借款將於一年內到期並按年利率3.96%至4.00%計息。

		30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Principal payable:	應償還本金：		
Within one year	一年以內		
– Collateralised borrowing	– 抵押借款	41,489	38,527
– Borrowings from Mengniu Group	– 來自蒙牛集團的借款	377,000	–
		418,489	38,527
Within a period of more than one year but not more than two years	超過一年但不超過兩年		
– Collateralised borrowing	– 抵押借款	16,640	36,962
		435,129	75,489
Less: Amount due for settlement within 12 months (shown under current liabilities)	減：於12個月內到期應清償金額（列於流動負債項下）	(418,489)	(38,527)
Amount due for settlement after 12 months	於12個月之後到期應清償金額	16,640	36,962

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

GROUP STRUCTURE AND CAPITAL STRUCTURE

On 25 January 2017, pursuant to the Sale and Purchase Agreement dated 16 June 2016 and poll results of the general meeting held by the Company on 1 August 2016 in relation to the acquisition of Modern Farm (Anhui) Dairy Product Sales Co., Ltd (“Modern Farm (Anhui)”), the Group allotted and issued 338,602,205 consideration shares. On 6 February 2017, pursuant to the supplemental agreement dated 12 December 2016 entered into by the Company and Success Dairy II Limited (the “Investor”) and a conditional investor option notice received on 28 December 2016 from the Investor, the Group allotted and issued 488,036,618 consideration shares accordingly. As at 30 June 2017, the number of issued ordinary shares of the Company was 6,131,406,706 shares.

ACQUISITION OF 45% EQUITY INTEREST IN MODERN FARM (ANHUI)

On 25 January 2017, the Group completed the acquisition of the remaining 45% equity interest in Modern Farm (Anhui) from five independent individuals (the “Acquisition”), and Modern Farm (Anhui) is owned as to 45% by the Company and 55% by Modern Farm. The Acquisition will be helpful to streamline the downstream business structure of the Group and establish a key foundation for the effective management of sales channels and distribution network.

CONDITIONAL MANDATORY CASH OFFER

On 14 February 2017, UBS AG and DBS Asia Capital made a conditional mandatory cash offers of HK\$1.94 per share of the Company (“Share Offer”) for and on behalf of Mengniu Company to acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by Mengniu Company or parties acting in concert with it) and for cancellation of all the outstanding options in the Company (“Option Offer” together with Share Offer referred to as “Offers”). The Share Offer was completed on 21 March 2017. Mengniu Company and the party acting in concert with it, Future Discovery Limited, held an aggregate of 3,755,769,412 shares in the Company, representing 61.25% of the Company as at the date of this report.

For details in respect to the Share Offer, please refer to the announcement and circular of the Company dated 25 January 2017 and 14 February 2017 respectively.

本集團架構及資本架構

於二零一七年一月二十五日，本集團根據於日期二零一六年六月十六日有關收購現代牧業(安徽)乳品銷售有限公司(「現代牧業(安徽)」)的買賣協議及公司於二零一六年八月一日的股東會投票結果，配發及發行了338,602,205股代價股份。於二零一七年二月六日，根據本公司與Success Dairy II Limited(「投資者」)日期為二零一六年十二月十二日的補充契及於二零一六年十二月二十八日收到由投資者發出的有條件投資者期權通知，本集團因而配發及發行488,036,618股代價股份。於二零一七年六月三十日，本公司的已發行普通股數目為6,131,406,706股。

收購現代牧業(安徽)45%股權

於二零一七年一月二十五日，本集團完成與五名獨立人士收購現代牧業(安徽)餘下45%股權(「收購事項」)，而現代牧業(安徽)由本公司擁有45%及由現代牧業擁有55%。收購事項將有助理順本集團的下游業務架構及為銷售渠道及分銷網絡的有效管理建立重要基礎。

有條件強制性現金要約

於二零一七年二月十四日，瑞士銀行及星展亞洲融資代表蒙牛公司按本公司每股股份1.94港元提出有條件強制性現金要約(「股份要約」)收購本公司全部已發行股份(蒙牛公司或其一致行動人士已擁有或同意收購的股份除外)及註銷本公司所有尚未行使購股權(「購股權要約」，連同股份要約統稱「該等要約」)。股份要約於二零一七年三月二十一日完成，蒙牛公司及其一致行動人士Future Discovery Limited持有合共3,755,769,412股本公司股份，於本報告日期佔本公司61.25%權益。

有關關股份要約詳情，請參閱本公司的公告日期為二零一七年一月二十五日公告及二零一七年二月十四日之通函。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

CONTINGENCIES AND PLEDGE OF ASSETS

As at 30 June 2017, land use rights, buildings and equipment, and biological assets with carrying value of RMB9.3 million (31 December 2016: RMB9.4 million), RMB182.7 million (31 December 2016: RMB241.5 million) and RMB2,417.8 million (31 December 2016: RMB2,729.9 million) respectively were pledged to secure the Group's borrowings.

The Group did not have any significant contingent liabilities as at 30 June 2017.

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENT

As at 30 June 2017, the Group has capital commitment of RMB119.5 million related to acquisition of property, plant and equipment.

As at 30 June 2017, the Group has operating lease commitments of RMB15.9 million related to the operating leased property, plant and equipment and leased land.

FINANCIAL MANAGEMENT POLICIES

The Group as usual will closely monitor its financial risks so as to safeguard the interests of the shareholders of the Company. The Group applies its cash flows generated from operation and bank loans to its operational and investment needs.

The Group's management considers that the Group has limited foreign currency exposure in respect of its operations since its operations are mainly conducted in the PRC. Sales and purchases are mainly denominated in Renminbi and the foreign currency risks associated with concentrated feeds and farm facilities are not material. In view of the minimal foreign currency exchange risk related to its operations, the Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risks.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

The Group had 6,017 employees (31 December 2016: 6,051) in mainland China and Hong Kong as at 30 June 2017. Total staff costs (including staff compensation capitalised to immature dairy cows) for the six months ended 30 June 2017 were approximately RMB250.0 million (for the six months ended 30 June 2016: RMB213.9 million).

或然負債及資產抵押

於二零一七年六月三十日，土地使用權、樓宇及設備，以及生物資產的賬面值分別為人民幣9.3百萬元（二零一六年十二月三十一日：人民幣9.4百萬元）、人民幣182.7百萬元（二零一六年十二月三十一日：人民幣241.5百萬元）及人民幣2,417.8百萬元（二零一六年十二月三十一日：人民幣2,729.9百萬元）已抵押作本集團借款的擔保。

於二零一七年六月三十日，本集團並無任何重大或然負債。

資本承諾及經營租務承擔

於二零一七年六月三十日，本集團有關收購物業、廠房及設備的資本承諾為人民幣119.5百萬元。

於二零一七年六月三十日，本集團有關經營租用物業、廠房、設備以及租賃土地的經營租賃承擔為人民幣15.9百萬元。

財務管理政策

本集團將持續嚴密控制財務風險以保障本公司股東權益。本集團利用經營所得現金流量及銀行貸款以應付其經營及投資需要。

本集團的管理層認為，本集團面對與其營運有關的外匯風險有限，因為我們的業務主要於中國經營。買賣主要以人民幣計值，而與精飼料及畜牧設施有關的外匯風險並不重大。考慮到與營運有關的外匯風險極小，本集團現時並無採用任何衍生工具合約作對沖用途。

人力資源及僱員薪酬

於二零一七年六月三十日，本集團於中國內地及香港擁有6,017名僱員（二零一六年十二月三十一日：6,051名）。截至二零一七年六月三十日止六個月總員工成本（含資本化至未成熟奶牛的職工薪酬）約為人民幣250.0百萬元（截至二零一六年六月三十日止六個月：人民幣213.9百萬元）。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

The Group values recruiting, training and retaining quality personnel. We recruit talented employees from local universities, vocational schools and other technical schools, and we provide these employees with various pre-employment and on-the-job training. The Group also offers remuneration at competitive rates with the aim of retaining quality personnel.

PROSPECTS

With the quality of China's domestic dairy improved continuously up to international standard, coupled with the per capita income of consumers keep increasing and the enhanced demand for food quality, it is expected that there is huge development opportunities in China's high-end dairy market. In addition, the "National Development Planning for Dairy Industry (2016-2020)" issued by the central government affirms the strategic positioning of the development of the dairy industry and highlights that the dairy industry is indispensable for healthy China and a strong nation. The planning aims to achieve substantial results in the supply-side structural reform of the dairy industry by 2020, so as to enable the dairy industry as a whole to reach an internationally advanced level.

In the long run, the macro situation of raw milk oversupply has been nearly shaken off worldwide and supply-demand balance has been almost stabilized, which provide a basis for the gradual recovery of the dairy industry in the future. Such situation is mainly due to the decreased global dairy herd size resulted from low milk price in the past 3 years and expected demand-driven market within the next 2 to 3 years. In the short run, insufficient supply has played a part in pushing up milk prices as the output of main raw milk production countries has dropped due to the northern hemisphere's entering summer.

In the future, the Group will continue to adhere to the principle of providing high quality raw milk and maintain its competitive advantages of high quality raw milk in each category index, so as to strengthen its leading position in the industry.

本集團注重招募、培訓及挽留優質人員。我們從本地大學、職業學校及其他技術學校招募人才，並向我們的僱員提供各種職前及在職培訓。本集團亦提供具競爭力的薪酬，以挽留優質人員。

前景

隨著中國國產乳品的品質不斷提升並達至國際水準、消費者人均收入上升及對食品質量的要求日漸提高下，預期中國高端乳品市場存在很大的發展空間。加之，中央政府發佈的《全國奶業發展規劃(2016-2020年)》中，明確了奶業發展的戰略定位，並強調奶業是健康中國、強壯民族不可或缺的產業，目標是到二零二零年奶業供給側結構性改革要取得實質性成效，使奶業整體進入世界先進行列。

長期看來，全球已經基本擺脫原料奶供給過剩的宏觀局面，供需平衡基本已經穩定，這為未來奶業逐漸恢復提供了基礎。形成這種局面的主要原因是過去三年的低奶價導致全球奶牛存欄的下降，預計未來二至三年內需求將會主導市場。短期來看，隨著本半球進入夏季，主要原奶生產國產量有所下降，供給不足對推高奶價起到一定作用。

未來，集團將會繼續堅守提供高品質原奶的原則，保持高質原奶於各項指標的優勢，以鞏固在行業的先導地位。

其他資料 OTHER INFORMATION

INTERIM DIVIDEND

The board of directors (the “Board”) of the Company did not declare the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the ordinary share of HK\$0.1 each in the share capital of the Company (“Shares”), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Name of Director 董事姓名	Nature of interest 權益性質	Number of Shares or underlying Shares 股份或 相關股份數目	Approximate percentage of shareholding interest 股權 概約百分比
Ms. GAO Lina ⁽¹⁾ 高麗娜女士 ⁽¹⁾	Interest in controlled corporation 受控制法團權益	221,581,733 ⁽¹⁾	3.61%
	Beneficial owner 實益持有人	38,077,916 ⁽²⁾	0.62%
Mr. HAN Chunlin 韓春林先生	Beneficial owner 實益持有人	23,628,916 ⁽³⁾	0.39%

(1) Ms. Gao holds approximately 49.12% of the interests in Jinmu Holdings Co Ltd. (“Jinmu”). Ms. Gao is deemed to be interested in the 221,581,733 Shares held by Jinmu under the SFO.

(2) This represent 4,800,000 Shares, 4,001,000 Shares granted but not yet vested under the share award scheme adopted by the Company on 9 September 2016, and 29,276,916 share options in underlying Shares of the pre-IPO management options (the “Management Option”) granted by the Company.

中期股息

本公司董事會(「董事會」)並無宣派截至二零一七年六月三十日止六個月的中期股息(截至二零一六年六月三十日止六個月：無)。

董事及主要行政人員於股份、相關股份及債券的權益及淡倉

於二零一七年六月三十日，董事及本公司主要行政人員及彼等各自的聯繫人於本公司股本中每股面值0.1港元的普通股股份(「股份」)、本公司及其相聯法團(定義見香港法例第571章證券及期貨條例(「證券及期貨條例」)第XV部)的相關股份及債券中，擁有根據證券及期貨條例第352條須登記於本公司存置的登記冊的權益及淡倉，或根據上市發行人董事進行證券交易的標準守則(「標準守則」)須知會本公司及香港聯合交易所有限公司(「聯交所」)的權益及淡倉如下：

(1) 高女士擁有Jinmu Holdings Co Ltd.(「Jinmu」)約49.12%權益。根據證券及期貨條例，高女士被視為於Jinmu所持221,581,733股股份中擁有權益。

(2) 這指根據二零一六年九月九日本公司所採納的股份獎勵計劃已授出但尚未歸屬的4,001,000股股份，以及4,800,000股股份，以及本公司所授出上市前管理層購股權(「管理層購股權」)的相關股份中29,276,916份購股權。

其他資料 OTHER INFORMATION

(3) These represent 1,975,000 Shares granted but not yet vested under the share award scheme adopted by the Company on 9 September 2016, and 21,653,916 share options in underlying Shares of the Management Options granted by the Company, details of which are set out in the sections "Management Options" and "Share Options" below.

Saved as disclosed above, as at 30 June 2017, none of the Directors and the chief executives of the Company and their respective associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2017, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company and their respective associates, in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained under Section 336 of the SFO were as follows:

(3) 這相當於根據2016年9月9日本公司所採納的股份獎勵計劃已授出但尚未歸屬的1,975,000股股份及本公司所授出管理層購股權的相關股份中21,653,916份購股權，有關詳情載於下文「管理層購股權」及「購股權」各節。

除上文所披露者外，於二零一七年六月三十日，董事及本公司主要行政人員及彼等各自的聯繫人概無於本公司或其任何相聯法團(定義見證券及期貨條例第XV部)的股份、相關股份及債券中，擁有根據證券及期貨條例第352條須登記於本公司存置的登記冊的任何權益及淡倉，或根據標準守則須知會本公司及聯交所的任何權益及淡倉。

主要股東權益

於二零一七年六月三十日，主要股東(董事或本公司主要行政人員及彼等各自的聯繫人除外)於本公司或其相聯法團(定義見證券及期貨條例第XV部)的股份、相關股份及債券中擁有根據證券及期貨條例第336條須登記於登記冊的權益或淡倉如下：

其他資料 OTHER INFORMATION

Name of sholders 名稱	Capacity/Nature of interest 身份／權益性質	Number of Shares	Approximate
		Long position (L)/ Short position (S) 好倉(L)／ 淡倉(S) 股份數目	percentage of shareholding interest 股權 概約百分比
China Mengniu Dairy Company Limited 中國蒙牛乳業有限公司	Beneficial interest 實益權益	1,347,903,000 (L) ⁽¹⁾	21.98%
	Interest in controlled corporation 受控制法團權益	2,407,866,412 (L) ⁽²⁾	39.27%
Future Discovery Limited	Beneficial interest 實益權益	2,407,866,412 (L) ⁽²⁾	39.27%
Central Huijin Investment Ltd. 中央匯金投資有限責任公司	Interest in "other" capacity under Part XV of the SFO 根據證券及期貨條例第XV部以 「其他」身份持有的權益	363,903,000 (L) ⁽³⁾ 689,438,782 (S) ⁽⁴⁾	5.94% 11.24%
	Interest in controlled corporation (through BOCI Financial Products Limited) 受控制法團權益(透過中銀國際金融產品有限公司)	325,535,782 (L) ⁽⁵⁾	5.31%
	Interest in controlled corporation (through Nam Tung (Macao) Investment Limited) 受控制法團權益(透過澳門南通信託投資有限公司)	1,500,000 (L) ⁽⁶⁾	0.02%
Bank of China Limited 中國銀行股份有限公司	Interest in "other" capacity under Part XV of the SFO 根據證券及期貨條例第XV部以 「其他」身份持有的權益	363,903,000 (L) ⁽³⁾ 689,438,782 (S) ⁽⁴⁾	5.94% 11.24%
	Interest in controlled corporation (through BOCI Financial Products Limited) 受控制法團權益(透過中銀國際金融產品有限公司)	325,535,782 (L) ⁽⁵⁾	5.31%
	Interest in controlled corporation (through Nam Tung (Macao) Investment Limited) 受控制法團權益(透過澳門南通信託投資有限公司)	1,500,000 (L) ⁽⁶⁾	0.02%

其他資料 OTHER INFORMATION

Name of sholders 名稱	Capacity/Nature of interest 身份／權益性質	Number of Shares Long position (L)/ Short position (S) 好倉(L)／ 淡倉(S) 股份數目	Approximate percentage of shareholding interest 股權 概約百分比
BOCI International Holdings Limited	Interest in "other" capacity under Part XV of the SFO	363,903,000 (L) ⁽³⁾	5.94%
	根據證券及期貨條例第XV部於「其他」身份的權益	689,438,782 (S) ⁽⁴⁾	11.24%
	Interest in controlled corporation (through BOCI Financial Products Limited) 受控制法團權益(透過中銀國際金融產品有限公司)	325,535,782 (L) ⁽⁵⁾	5.31%
BOCI Financial Products Limited	Beneficial interest 實益權益	325,535,782 (L) ⁽⁵⁾	5.31%
中銀國際金融產品有限公司	Interest in "other" capacity under Part XV of the SFO	363,903,000 (L) ⁽³⁾	5.94%
	根據證券及期貨條例第XV部以 「其他」身份持有的權益	689,438,782 (S) ⁽⁴⁾	11.24%

Notes:

- (1) Among which up to 689,438,782 Shares have been lent to BOCI Financial Products Limited pursuant to a securities lending agreement dated May 18, 2017 entered into between Mengniu as lender and BOCI Financial Products Limited as borrower.
- (2) The interests refer to the same parcel of underlying Shares.
- (3) The interests refer to the same parcel of underlying Shares.
- (4) The interests refer to the same parcel of underlying Shares.
- (5) The interests refer to the same parcel of underlying Shares.
- (6) The interests refer to the same parcel of underlying Shares.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company or as recorded in the register required to be maintained under Section 336 of the SFO as at 30 June 2017.

附註：

- (1) 其中多達689,438,782股股份已根據蒙牛(作為貸款人)與中銀國際金融產品有限公司(作為借款人)所訂立日期為二零一七年五月十八日的借股協議借予中銀國際金融產品有限公司。
- (2) 權益乃指同一批相關股份。
- (3) 權益乃指同一批相關股份。
- (4) 權益乃指同一批相關股份。
- (5) 權益乃指同一批相關股份。
- (6) 權益乃指同一批相關股份。

除上文所披露者外，於二零一七年六月三十日，本公司並不知悉於佔本公司已發行股本5%或以上的股份或相關股份中擁有或根據證券及期貨條例第336條須登記於存置的登記冊內的任何其他權益或淡倉。

其他資料 OTHER INFORMATION

PRE-IPO MANAGEMENT OPTIONS

The Company granted Management Options to Ms. GAO Lina, Mr. HAN Chunlin and Mr. SUN Yugang. The following Management Options were outstanding during the period:

首次公開發售前管理層購股權

本公司向高麗娜女士、韓春林先生及孫玉剛先生授出管理層購股權。以下為期內尚未行使的管理層購股權：

Name of grantee 承授人姓名	Date of grant 授出日期	Number of underlying Shares which may be issued pursuant to the Management Options 根據管理層購股權可能發行的相關股份數目				
		As at 1 January 2017 於二零一七年 一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Accepted the offers during the period ⁽²⁾ 期內 接納要約 ⁽²⁾	As at 30 June 2017 於二零一七年 六月三十日
Ms. GAO Lina 高麗娜女士	31 October 2010 二零一零年十月三十一日	29,276,916	-	-	-	29,276,916
Mr. HAN Chunlin 韓春林先生	31 October 2010 二零一零年十月三十一日	21,653,916	-	-	-	21,653,916
Mr. SUN Yugang. ⁽¹⁾ 孫玉剛先生 ⁽¹⁾	31 October 2010 二零一零年十月三十一日	9,142,924	-	-	(9,142,924)	-
		60,073,756	-	-	(9,142,924)	50,930,832

Note (1) SUN Yugang has resigned as non-executive director of the Company on 29 March 2017.

附註(1) 孫玉剛於二零一七年三月二十九日辭任本公司非執行董事。

Note (2) The option holders accepted the mandatory cash offer (the "Offers") by Mengniu Company on 21 March 2017 and the options were cancelled.

附註(2) 於二零一七年三月二十一日，有關購股權持有人接納蒙牛公司提出的強制性現金要約(「要約」)，而該等購股權因此被註銷。

These options are exercisable at the exercise price HK\$0.86 per share during the period commencing from the listing date of the Company (26 November 2010) until 10 years from the date of offer.

該等購股權可於本公司上市日期(二零一零年十一月二十六日)起直至授出日期後10年期間按行使價每股股份0.86港元行使。

The number of Shares to be issued upon the exercise of the outstanding options is 50,930,832 Shares, representing 0.83% of the issued share capital of the Company as at 30 June 2017.

於二零一七年六月三十日，因行使尚未行使的購股權而發行的股份數目為50,930,832股，佔本公司已發行股本0.83%。

SHARE OPTIONS

(I) Share Option Scheme adopted on 17 November 2011 (“Share Option Scheme I”)

The Company unconditionally adopted a share option scheme on 17 November 2011. The following share options were outstanding under the Share Option Scheme I during the period:

購股權

(I) 於二零一一年十一月十七日採納的購股權計劃(「購股權計劃I」)

本公司於二零一一年十一月十七日無條件地採納一項購股權計劃。下列於購股權計劃下的購股權於期內未獲行使：

Number of Shares which may be issued pursuant to the Share Options Scheme I

根據購股權計劃I可能發行的股份數目

Name or category of participant 參與人士姓名或類別	As at 1 January 2017 於二零一七年 一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Accepted the offers during the period ⁽²⁾ 期內接納要約 ⁽²⁾	As at 30 June 2017 於二零一七年 六月三十日	Option period 購股權期限
Directors 董事						
Ms. GAO Lina 高麗娜女士	2,879,600	-	-	(2,879,600)	-	12.12.2012-30.6.2020 二零一二年十二月十二日至 二零二零年六月三十日
Mr. HAN Chunlin 韓春林先生	1,900,667	-	-	(1,900,667)	-	12.12.2012-30.6.2020 二零一二年十二月十二日至 二零二零年六月三十日
Mr. SUN Yugang 孫玉剛先生	1,922,066	-	-	(1,922,066)	-	12.12.2012-30.6.2020 二零一二年十二月十二日至 二零二零年六月三十日
Subtotal 小計	6,702,333	-	-	(6,702,333)	-	
Other employees 其他僱員						
In aggregate 合計	20,620,982	-	-	(20,620,982)	-	12.12.2012-30.6.2020 二零一二年十二月十二日至 二零二零年六月三十日
Total 總計	27,323,315	-	-	(27,323,315)	-	

Notes:

- All the share options above were granted on 12 December 2012 and the exercise price is HK\$2.89. The closing price of the Shares on the date of grant is HK\$1.98.
- The share options above represent personal interest held by the relevant Directors and employee as beneficial owners.
- All the outstanding share options were cancelled when the above optionholders accepted the Offers made by Mengniu Company on 21 March 2017.

附註：

- 所有上述購股權均於二零一二年十二月十二日授出及行使價為2.89港元。股份於授出日期的收市價為1.98港元。
- 上述購股權指由相關董事及員工作為實益擁有人持有的個人權益。
- 於二零一七年三月二十一日，所有尚未行使的購股權於上述購股權持有人接納蒙牛公司要約的期間被註銷。

其他資料 OTHER INFORMATION

(II) Share Option Scheme adopted on 5 June 2014 (“Share Option Scheme II”)

The Company unconditionally adopted a share option scheme on 5 June 2014. The movement of Share Option Scheme II during the period is set out as below:

(II) 於二零一四年六月五日採納的購股權計劃(「購股權計劃II」)

本公司於二零一四年六月五日無條件採納一項購股權計劃。購股權計劃II於期內之變動表列如下：

Name or category of participant 參與人士姓名或類別	Number of Shares which may be issued pursuant to the Share Options Scheme II 根據購股權計劃II可能發行的股份數目					Option period 購股權期限
	As at 1 January 2017 於二零一七年一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Accepted the offers during the period ⁽²⁾ 期內接納要約 ⁽²⁾	As at 30 June 2017 於二零一七年六月三十日	
Directors 董事						
Ms. GAO Lina 高麗娜女士	8,779,823	-	-	(8,779,823)	-	6.6.2014-29.4.2022 二零一四年六月六日至 二零二二年四月二十九日
Mr. HAN Chunlin 韓春林先生	6,500,000	-	-	(6,500,000)	-	6.6.2014-29.4.2022 二零一四年六月六日至 二零二二年四月二十九日
Mr. SUN Yugang 孫玉剛先生	5,000,000	-	-	(5,000,000)	-	6.6.2014-29.4.2022 二零一四年六月六日至 二零二二年四月二十九日
Subtotal 小計	20,279,823	-	-	(20,279,823)	-	
Other employees 其他僱員						
In aggregate 合計	61,074,811	-	-	(61,074,811)	-	6.6.2014-29.4.2022 二零一四年六月六日至 二零二二年四月二十九日
Total 總計	81,354,634	-	-	(81,354,634)	-	

Notes:

- All the share options above were granted on 6 June 2014 and 17 June 2015 and the exercise prices are HK\$3.38 per share and HK\$2.83 per share respectively. The closing prices of the Shares on 6 June 2014 and 17 June 2015 are HK\$3.38 and HK\$2.72, respectively.
- The share options above represent personal interest held by the relevant Directors and employees as beneficial owners.
- All the outstanding share options were cancelled when above optionholders accepted the Offers made by Mengniu Company on 21 March 2017.

附註：

- 所有上述購股權均於二零一四年六月六日及二零一五年六月十七日授出，行使價分別為每股3.38港元及每股2.83港元。股份於二零一四年六月六日及二零一五年六月十七日的收市價分別為3.38港元及2.72港元。
- 上述購股權指由相關董事及僱員作為實益擁有人持有的個人權益。
- 於二零一七年三月二十一日，所有尚未行使的購股權於上述購股權持有人接納蒙牛公司要約的期間被註銷。

其他資料 OTHER INFORMATION

(III) Share Option Scheme adopted on 30 September 2016 (“Share Option Scheme III”)

The Company unconditionally adopted a share option scheme on 30 September 2016. The movement of Share Option Scheme III during the period is set out as below:

(III) 於二零一六年九月三十日採納的購股權計劃(「購股權計劃III」)

本公司於二零一六年九月三十日無條件採納一項購股權計劃。購股權計劃III於期內之變動表列如下：

Name or category of participant 參與人士姓名或類別	Number of Shares which may be issued pursuant to the Share Options Scheme III 根據購股權計劃III可能發行的股份數目					As at 30 June 2017 於二零一七年六月三十日	Option period 購股權期限
	As at 1 January 2017 於二零一七年一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Accepted the offers during the period ⁽²⁾ 期內接納要約 ⁽²⁾	As at 30 June 2017 於二零一七年六月三十日		
Directors							
董事							
Ms. GAO Lina 高麗娜女士	12,000,000	-	-	(12,000,000)	-	8.11.2016-31.12.2023 二零一六年十一月八日至 二零二三年十二月三十一日	
Mr. HAN Chunlin 韓春林先生	6,000,000	-	-	(6,000,000)	-	8.11.2016-31.12.2023 二零一六年十一月八日至 二零二三年十二月三十一日	
Subtotal 小計	18,000,000	-	-	(18,000,000)	-		
Other employees							
其他僱員							
In aggregate 合計	128,650,000	-	-	(128,650,000)	-	8.11.2016-31.12.2023 二零一六年十一月八日至 二零二三年十二月三十一日	
Total 總計	146,650,000	-	-	(146,650,000)	-		

Notes:

- The share options above were granted on 8 November 2016 and the exercise prices are HK\$1.71. The closing prices of the Shares on 8 November 2016 are HK\$1.71.
- The share options above represent personal interest held by the relevant Directors and employees as beneficial owners.
- All the outstanding share options were cancelled when above optionholders accepted the Offers made by Mengniu Company on 21 March 2017.

附註：

- 上述購股權於二零一六年十一月八日授出，行使價為1.71港元。股份於二零一六年十一月八日的收市價為1.71港元。
- 上述購股權指由相關董事及僱員作為實益擁有人持有的個人權益。
- 於二零一七年三月二十一日，所有尚未行使的購股權於上述購股權持有人接納蒙牛公司要約的期間被註銷。

其他資料

OTHER INFORMATION

Other details of the share option granted pursuant to the Share Option Scheme I, Share Option Scheme II and Share Option Scheme III are set out in Note 22 to the Condensed Consolidated Financial Statements.

The related accounting policy for the fair values of the share options are set out in the 2016 Annual Report of the Company.

SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the “Share Award Scheme”) which was adopted by the Company on 9 September 2016. The goal of the Share Award Scheme is to motivate the employees to maximize the value of and share the results with the Company in order to achieve sustainable development of the Group. During the reporting period, the aggregate number of restricted shares of the Company granted to selected participants was 35,969,000, representing approximately 0.59% of the issued share capital of the Company as at 30 June 2017. Out of the total shares granted, 13,274,000 award Shares were granted to certain members of management, which would vest in two tranches each on the second, and third anniversaries of the grant date provided that certain performance and service conditions are met. The remaining award Shares of 22,695,000 were granted to the eligible employees. The granted Shares are subject to the terms and condition of the Share Award Scheme and the fulfillment of all vesting conditions to the vesting of the awarded Shares of the Company on such selected participant as specified in the rules of the Share Award Scheme and the grant notice. Further details of the restricted Share Award Scheme are also set out in note 22 to the interim financial statements.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). The Company has, throughout the six months ended 30 June 2017 complied with the code provisions set out in the CG Code, except for the deviations from code provision A.6.7 which is explained below.

Code provision A.6.7 of the CG Code provides, among other things, that non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. One non-executive Director was not able to attend the annual general meeting of the Company held on 30 June 2017 due to other business engagements.

根據購股權計劃I、購股權計劃II及購股權計劃III授出的購股權的其他詳情載於簡明綜合財務報表附註22。

購股權公平值的相關會計政策載於本公司二零一六年年報。

股份獎勵計劃

本公司運作其於二零一六年九月九日採納的一項限制性股份獎勵計劃(「股份獎勵計劃」)。股份獎勵計劃旨在激勵僱員為本公司創造最大價值及與本公司分享成果，以令本集團實現可持續發展。於報告期間，本公司向獲選參與者授出的限制性股份總數為35,969,000股，佔本公司於二零一七年六月三十日已發行股本約0.59%。於所有授出股份中，13,274,000股獎勵股份授予若干管理層成員，於授出日期的第二個周年及第三個周年各歸屬兩個部分，惟須符合若干表現及服務條件。剩餘22,695,000股獎勵股份則授予合資格僱員。已授出股份須符合股份獎勵計劃的條款及條件，且須達成股份獎勵計劃規則及授股通知中規定向獲選參與者歸屬本公司獎勵股份的所有歸屬條件。有關限制性股份獎勵計劃的進一步詳情亦載於中期財務報表附註22。

企業管治

本公司已採納載於聯交所證券上市規則(「上市規則」)附錄14所載的企業管治守則及企業管治報告(「企業管治守則」)的守則條文。截至二零一七年六月三十日止六個月，本公司一直遵守載於企業管治守則的守則條文，惟偏離守則條文第A.6.7條(於下文解釋)。

企業管治守則的守則條文第A.6.7條規定(其中包括)，非執行董事應出席股東大會，對本公司股東的意見有公正的瞭解。一名非執行董事由於其他公務而無法出席本公司於二零一七年六月三十日舉行的股東週年大會。

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the sections headed "Pre-IPO Management Options", "Share Options" and "Share Award Scheme" above, during the reporting period, the Company or any of its subsidiaries was not a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate. Save for those disclosed above, during the six months ended June 30, 2017, none of the Directors (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

BOARD OF DIRECTORS

As at the date of this interim report, the Board comprises two executive Directors, namely Ms. GAO Lina (deputy chairman and chief executive officer) and Mr. HAN Chunlin (chief operation officer), four non-executive Directors, namely, Mr. LU Minfang (Chairman), Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping, and three independent non-executive Directors, namely Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. KANG Yan.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Following specific enquiring by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

董事收購股份或債券的權利

除上文「首次公開發售前管理層購股權」、「購股權」及「股份獎勵計劃」各節所披露者外，於報告期內，本公司或其任何附屬公司並無參與任何其目的或目的之一旨在使董事可透過購入本公司或任何其他法人團體的股份或債權證而獲利的安排。除上述所披露者外，於截至二零一七年六月三十日止六個月內，概無任何董事（包括其配偶及未滿18歲的子女）於本公司或其相聯法團（定義見證券及期貨條例第XV部）的證券中擁有任何權益或獲授任何可認購該等證券的權利，或曾行使任何有關權利。

董事會

於本中期報告日期，董事會由兩名執行董事高麗娜女士（副主席兼總裁）及韓春林先生（營運總經理）、四名非執行董事盧敏放先生（主席）、WOLHARDT Julian Juul先生、張平先生及溫永平先生以及三名獨立非執行董事李勝利先生、李港衛先生及康龔先生組成。

董事進行的證券交易

本公司已採納上市規則附錄10所載的標準守則作為本公司董事進行證券交易的行為守則。於本公司作出特定查詢後，全體董事確認，於截至二零一七年六月三十日止六個月內，彼等一直遵守標準守則所載的規定標準。

其他資料

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017, except that the trustee of the share award scheme adopted by the Company on 9 September 2016 (the "Share Award Scheme"), pursuant to the rules of the Share Award Scheme, purchased on the open market a total of 450,000 shares of the Company at a total consideration of approximately HKD 0.80 million.

UPDATE ON INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of Directors since the date of the 2016 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Lee Conway Kong Wai has served as an independent non-executive director and independent director of Guotai Junan Securities Co., Ltd., the H shares of which are listed on the Stock Exchange (stock code: 02611) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601211), since April 2017.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS

The condensed interim financial statements have been reviewed by the Group's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and the Audit Committee.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. LEE Kong Wai, Conway (chairman), Mr. WOLHARDT Julia Juul and Mr. KANG Yan. The Audit Committee has reviewed with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management system, internal control procedures and financial reporting matters, including the review of the Group's interim financial statements.

購買、出售或贖回本公司上市證券

截至二零一七年六月三十日止六個月，本公司或其任何附屬公司概無購買、贖回或出售本公司任何上市證券，惟本公司於二零一六年九月九日採納的股份獎勵計劃（「股份獎勵計劃」）的受託人根據股份獎勵計劃的規則於公開市場以總代價約0.80百萬港元購買本公司合共450,000股股份除外。

根據上市規則第13.51B (1)條作出的董事資料更新

根據上市規則第13.51B (1)條須予披露有關本公司二零一六年年報日期後董事資料的變更載列如下：

自二零一七年四月起，李港衛先生擔任國泰君安證券股份有限公司（其H股於聯交所上市，股份代號：02611，而A股於上海證券交易所上市，股份代號：601211）的獨立非執行董事及獨立董事。

除上文所披露的資料外，概無其他資料須根據上市規則第13.51B (1)條予以披露。

審閱中期業績

簡明中期財務報表已經本集團核數師德勤•關黃陳方會計師行根據香港會計師公會頒佈的香港審閱工作準則第2410號「實體的獨立核數師對中期財務資料的審閱」與本公司審核委員會進行審閱。

審核委員會

審核委員會現時由三名獨立非執行董事組成，即李港衛先生（主席）、Mr. WOLHARDT Julia Juul先生及康龔先生。審核委員會已與本公司管理層及外部核數師審閱本公司採納的會計原則及慣例，並討論審計、風險管理制度、內部監控程序及財務呈報事宜，包括審閱本集團的中期財務報表。

INVESTOR RELATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development. Investors are welcomed to send their enquiries to our investor relation at info@moderndairyir.com or browse the Company's website (<http://www.moderndairyir.com>) for latest update information of the Group.

On behalf of the Board
China Modern Dairy Holdings Ltd.
Ms. GAO Lina
*Deputy Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 28 August 2017

投資者關係

本公司採取積極政策促進投資者關係與溝通。本公司定期與機構投資者及金融分析師舉行會議，以確保就本公司表現及發展維持雙向溝通。本公司歡迎投資者致函info@moderndairyir.com詢問我們的投資者關係或瀏覽本公司網站(<http://www.moderndairyir.com>)瞭解本集團的最新更新資料。

代表董事會
中國現代牧業控股有限公司
副主席、總裁
兼執行董事
高麗娜女士

香港，二零一七年八月二十八日

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

簡明綜合財務報表審閱報告

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
CHINA MODERN DAIRY HOLDINGS LTD.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Modern Dairy Holdings Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 38 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive expense, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

致中國現代牧業控股有限公司董事會

(於開曼群島註冊成立的有限公司)

緒言

我們已審閱第38頁至第80頁所載中國現代牧業控股有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)的簡明綜合財務報表，當中包括截至二零一七年六月三十日的簡明綜合財務狀況表，以及截至該日止六個月的相關簡明綜合損益及其他全面開支表、簡明綜合權益變動表及簡明綜合現金流量表及若干附註解釋。香港聯合交易所有限公司證券上市規則規定編製中期財務資料報告須符合當中的相關條文及國際會計準則委員會頒佈的國際會計準則第34號「中期財務報告」(「國際會計準則第34號」)。貴公司董事須負責根據國際會計準則第34號編製及呈列此等簡明綜合財務報表。我們的責任是根據審閱結果對此等簡明綜合財務報表作出結論，並根據我們的協定委聘條款僅向作為法人的閣下匯報結論，而不作其他用途。我們不會就本報告內容向任何其他人士負上或承擔任何責任。

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱委聘準則第2410號「實體獨立核數師對中期財務資料進行審閱」進行審閱工作。審閱此等簡明綜合財務報表包括主要向負責財務和會計事務的人員作出查詢，及應用分析性和其他審閱程序。審閱範圍遠小於根據香港核數準則進行的審核範圍，故我們無法保證，我們會知悉在審核中可能被發現的所有重大事項。因此，我們不會發表審核意見。

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

簡明綜合財務報表審閱報告

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements for the six months ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2017

結論

根據我們的審閱結果，我們並無發現任何事項，致使我們相信此等截至二零一七年六月三十日止六個月的簡明綜合財務報表在各重大方面未有根據國際會計準則第34號編製。

德勤•關黃陳方會計師行

執業會計師

香港

二零一七年八月二十八日

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

簡明綜合損益及其他全面開支表

For the six months ended 30 June 2017

截至二零一七年六月三十日止六個月

		Six months ended 30 June 截至六月三十日止六個月		
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)	
		Notes 附註		
Revenue	收入	4	2,344,380	2,229,110
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前的銷售成本		(1,725,396)	(1,503,741)
Raw milk fair value adjustments included in cost of sales	計入銷售成本的原料奶公平值調整		(501,413)	(557,307)
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛出售成本產生的虧損		(497,080)	(499,245)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	於原料奶收穫時按公平值減銷售成本初始確認產生的收益		501,413	557,307
Other income	其他收入	5	27,826	40,177
Selling and distribution costs	銷售及分銷開支		(244,351)	(136,172)
Administrative expenses	行政開支		(209,691)	(129,891)
Share of loss of an associate	應佔一間聯營公司虧損		(85)	(1,583)
Other gains and losses, net	其他收益及虧損淨額	6	(183,217)	(388,752)
Other expenses	其他開支		(16,781)	(3,786)
Loss before finance costs and tax	除融資成本及稅項前虧損	6	(504,395)	(393,883)
Finance costs	融資成本	7	(182,981)	(195,790)
Loss before tax	除稅前虧損		(687,376)	(589,673)
Income tax expense	所得稅開支	8	(137)	(205)
Loss and total comprehensive expense for the period	期內虧損及全面開支總額		(687,513)	(589,878)
Loss and total comprehensive expense attributable to:	以下各方應佔虧損及全面開支總額：			
Owners of the Company	本公司持有人		(666,255)	(565,668)
Non-controlling interests	非控股權益		(21,258)	(24,210)
			(687,513)	(589,878)
Loss per share (RMB)	每股虧損(人民幣)	10		
Basic	基本		(11.20) cents 分	(10.66) cents 分
Diluted	攤薄		(11.20) cents 分	(10.66) cents 分

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

簡明綜合財務狀況表

As at 30 June 2017
於二零一七年六月三十日

			30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備		4,865,900	5,075,030
Land use rights	土地使用權		127,617	126,679
Goodwill	商譽		1,424,539	1,424,539
Interest in an associate	於一間聯營公司權益	11	1,802	1,887
Available-for-sale investment	可供出售投資		24,955	24,955
Biological assets	生物資產	12	7,606,009	7,602,959
			14,050,822	14,256,049
CURRENT ASSETS	流動資產			
Inventories	存貨		672,904	980,515
Trade and other receivables	應收貿易賬款及其他 應收款項	13	1,504,731	1,348,480
Land use rights	土地使用權		4,315	4,012
Pledged bank balances and non-pledged bank deposits	已質押銀行結餘及未質押銀 行存款		186,477	356,624
Cash and bank balances	現金及銀行結餘		492,905	851,788
Other financial asset	其他金融資產		-	11,236
			2,861,332	3,552,655
CURRENT LIABILITIES	流動負債			
Trade and other payables	應付貿易賬款及其他 應付款項	14	2,159,642	2,781,727
Tax payable	應課稅項		136	57
Bank borrowings – due within one year	銀行借款 – 於一年內到期	15	2,638,945	3,278,325
Short-term debenture	短期債券	16	499,394	799,425
Other borrowings – due within one year	其他借款 – 於一年內到期	17	418,489	38,527
Medium-term notes – due within one year	中期票據 – 於一年內到期	18	1,197,650	-
Other financial liabilities	其他金融負債	20	-	927,058
			6,914,256	7,825,119
NET CURRENT LIABILITIES	流動負債淨額		(4,052,924)	(4,272,464)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債		9,997,898	9,983,585

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

簡明綜合財務狀況表

As at 30 June 2017

於二零一七年六月三十日

			30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
		Notes 附註		
CAPITAL AND RESERVES		資本及儲備		
Share capital	股本	21	526,058	452,959
Share premium and reserves	股份溢價及儲備		6,792,445	6,568,554
Equity attributable to owners of the Company	本公司持有人應佔權益		7,318,503	7,021,513
Non-controlling interests	非控股權益		67,278	101,383
			7,385,781	7,122,896
NON-CURRENT LIABILITIES		非流動負債		
Bank borrowings – due after one year	銀行借款 – 於一年後到期	15	776,500	607,500
Other borrowings – due after one year	其他借款 – 於一年後到期	17	16,640	36,962
Medium-term notes – due after one year	中期票據 – 於一年後到期	18	598,800	1,796,605
Corporate bonds	公司債券	19	1,045,820	249,020
Deferred income	遞延收入		174,357	170,602
			2,612,117	2,860,689
			9,997,898	9,983,585

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

簡明綜合權益變動表

For the six months ended 30 June 2017
截至二零一七年六月三十日止六個月

		Attributable to owners of the Company 本公司持有人應佔								
		Share capital	Share premium	Other reserve	Share options reserve	Share Award reserve	Shares held under the Share Award Scheme	Retained earnings	Non-controlling interests	Total
		股本	股份溢價	其他儲備	購股權儲備	股份獎勵儲備	計劃項下所持有的股份	保留盈利	非控股權益	合計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
				(note 23)		(note 22(c))	(note 22(c))			
				(附註23)		(附註22(c))	(附註22(c))			
Balance at 1 January 2016 (audited)	於二零一六年一月一日的結餘(經審核)	452,959	3,292,068	1,585,752	75,078	-	-	2,376,040	168,135	7,950,032
Loss and total comprehensive expense for the period	期內虧損及全面開支總額	-	-	-	-	-	-	(565,668)	(24,210)	(589,878)
Recognition of equity-settled share-based payment	確認按股權結算以股份支付的付款	-	-	-	12,469	-	-	-	-	12,469
Transfer due to forfeiture of share options after vesting	因歸屬後沒收購股權而轉撥	-	-	-	(616)	-	-	616	-	-
Dividend to non-controlling interests	派予非控股權益的股息	-	-	-	-	-	-	-	(25,200)	(25,200)
Capital contribution from non-controlling interests	非控股權益出資	-	-	-	-	-	-	-	600	600
Balance at 30 June 2016 (unaudited)	於二零一六年六月三十日的結餘(未經審核)	452,959	3,292,068	1,585,752	86,931	-	-	1,810,988	119,325	7,348,023
Balance at 1 January 2017 (audited)	於二零一七年一月一日的結餘(經審核)	452,959	3,292,068	1,585,752	117,206	-	(61,424)	1,634,952	101,383	7,122,896
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	-	(666,255)	(21,258)	(687,513)
Share issued to Success Dairy (note 21)	發行予Success Dairy的股份(附註21)	43,157	807,037	-	-	-	-	-	-	850,194
Acquisition of non-controlling interest (notes 21 and 23)	收購非控股權益(附註21及23)	29,942	541,961	(555,297)	-	-	-	-	16,606	1,799
Share purchase for the Share Award Scheme (note 22(c))	就股份獎勵計劃的股份購買(附註22(c))	-	-	-	-	-	(713)	-	(713)	(713)
Recognition of equity-settled share-based payment (note 22(a) and note 22(c))	確認按股權結算以股份支付的付款(附註22(a)及22(c))	-	-	-	92,623	4,535	-	-	97,158	97,158
Transfer due to cancellation of share options (note 22(a))	因購股權註銷而轉撥(附註22(a))	-	-	-	(204,543)	-	-	204,543	-	-
Capital contribution from non-controlling interests	非控股權益出資	-	-	-	-	-	-	-	1,960	1,960
Balance at 30 June 2017 (unaudited)	於二零一七年六月三十日的結餘(未經審核)	526,058	4,641,066	1,030,455	5,286	4,535	(62,137)	1,173,240	67,278	7,385,781

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

簡明綜合現金流量表

For the six months ended 30 June 2017

截至二零一七年六月三十日止六個月

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Net cash (used in) generated from operating activities	經營活動(所用)所得現金淨額	(56,571)	404,420
Net cash used in investing activities	投資活動所用現金淨額	(193,095)	(210,790)
Purchases of property, plant and equipment	購入物業、廠房及設備	(623,112)	(588,838)
Additions in biological assets	生物資產增置	(75,136)	(123,884)
Release of pledged bank balances	已質押銀行結餘增加	56,293	128,783
Addition in non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月的無抵押銀行存款增加	(16,500)	(417,330)
Release of non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月的無抵押銀行存款解除	205,490	356,702
Proceeds from disposal of dairy cows	出售乳牛所得款項	232,320	300,399
Proceeds from acquisition of non-controlling interest	收購非控股權益所得款項	1,800	–
Settlement of cash portion of Modified Considerations (note 20)	結清經修訂代價現金部分(附註20)	(93,124)	–
Interest received	已收取利息	5,000	5,980
Government grants received	已獲取政府補貼	10,253	26,929
Purchases of land use rights	購買土地使用權	(3,257)	(6,784)
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	11,472	6,290
		(481,596)	(522,543)
Net cash generated from financing activities	融資活動所得現金淨額	(206,685)	(146,724)
Interest paid	已付利息	1,114,507	1,815,091
New borrowings raised	新籌得借款	(1,579,035)	(3,568,597)
Repayment of borrowings	借款償還款項	500,000	1,000,000
Proceeds from short-term debentures	短期債券所得款項	(800,000)	(400,000)
Repayment of short-term debentures	短期債券償還款項	–	1,600,000
Proceeds from medium-term notes	中期票據所得款項	800,000	–
Proceeds from corporate bonds	公司債券所得款項	(5,100)	(7,800)
Payment of transaction cost for short-term debentures and corporate bonds	支付短期債券及公司債券的交易成本	377,000	96,250
Proceeds from other borrowing	其他借款所得款項	(22,650)	–
Repayment of other borrowing	其他借款償還款項	–	(25,200)
Dividends paid to non-controlling interests	已付非控股權益的股息	1,960	600
Capital contribution from non-controlling interests	非控股權益出資	(713)	–
Payment for repurchase of ordinary shares	購回普通股的付款	179,284	363,620
Net (decrease) increase in cash and cash equivalents	現金及現金等價物(減少)增加淨額	(358,883)	245,497
Cash and cash equivalents at 1 January	於一月一日的現金及現金等價物	851,788	476,867
Cash and cash equivalents at 30 June, represented by cash and bank balances	於六月三十日的現金及現金等價物，以現金及銀行結餘呈列	492,905	722,364

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

簡明綜合財務報表附註

For the six months ended 30 June 2017
截至二零一七年六月三十日止六個月

1. GENERAL INFORMATION

China Modern Dairy Holdings Ltd. (the “Company”) is a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”). As at 30 June 2017, China Mengniu Dairy Co., Ltd. (“Mengniu Company”) and its wholly owned subsidiary together owned 61.25% of the issued share capital of the Company.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in production and sales of milk. The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which the principal subsidiaries of the Group operate (the “functional currency”).

2. BASIS OF PREPARATION

In preparation the condensed consolidated financial statements for the six months ended 30 June 2017, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately RMB4,052,924,000 as at 30 June 2017 (31 December 2016: RMB4,272,464,000). Having considered the available credit facilities of approximately RMB5,155,140,000 available to finance the Group’s operation which remains unutilised as at 30 June 2017, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

1. 一般資料

中國現代牧業控股有限公司(「本公司」)為一間有限公司，其股份於二零一零年十一月二十六日在香港聯合交易所有限公司(「聯交所」)主板上市。本公司的註冊辦事處位於Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands。本公司主要營業地點則位於中華人民共和國(「中國」)安徽省馬鞍山市經濟技術開發區。於二零一七年六月三十日，中國蒙牛乳業有限公司(「蒙牛公司」)及其全資附屬公司合共擁有本公司61.25%已發行股本。

本公司的主要業務為投資控股，而其附屬公司則主要從事生產及銷售牛奶。本公司及其附屬公司於下文統稱「本集團」。

簡明綜合財務報表乃以人民幣(「人民幣」)列值，該貨幣用於本集團的主要附屬公司營運所在的主要經濟環境(「功能貨幣」)。

2. 編製基準

在編製截至二零一七年六月三十日止六個月的簡明綜合財務報表時，鑒於本集團截至二零一七年六月三十日的流動負債淨額約為人民幣4,052,924,000元(二零一六年十二月三十一日：人民幣4,272,464,000元)，本公司董事(「董事」)已審慎考慮本集團的未來流動資金狀況。經考慮截至二零一七年六月三十日可用作撥付本集團營運所需的信貸融資約人民幣5,155,140,000元並未動用，故董事信納，於可見將來，本集團將能夠於財務責任到期應付時悉數償還有關款項。因此，簡明綜合財務報表乃根據持續經營基準編製。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

簡明綜合財務報表附註

For the six months ended 30 June 2017
截至二零一七年六月三十日止六個月

2. BASIS OF PREPARATION *(continued)*

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for: (i) the biological assets, which are measured at fair value less costs to sell; and (ii) financial instruments at fair value through profit or loss ("FVTPL"), which are measured at fair value at the end of each reporting period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. 編製基準(續)

本集團簡明綜合財務報表乃根據國際會計準則委員會頒佈之國際會計準則第34號(國際會計準則第34號)中期財務報告，以及香港聯合交易所有限公司證券上市規則(「上市規則」)附錄十六的適用披露規定編製。

3. 主要會計政策

簡明綜合財務報表乃根據歷史成本基準編製，惟(i)按公平值減銷售成本計量的生物資產；及(ii)按公平值計入損益(「按公平值計入損益」)的金融工具按各報告期末的公平值計量除外。

截至二零一七年六月三十日止六個月簡明綜合財務報表所應用的會計政策及計算方法與編製本集團截至二零一六年十二月三十一日止年度的綜合財務報表所依循者一致。

於本中期期間，本集團已首次採納若干由國際會計準則委員會頒佈並於本中期期間強制生效的國際財務報告準則(「國際財務報告準則」)之修訂。有關因應用國際會計準則第7號之修訂而自融資活動產生之負債變動(包括自現金流量產生之變動以及非現金變動)之額外披露將於截至二零一七年十二月三十一日止年度之綜合財務報表內提供。

於本中期期間應用國際財務報告準則的上述修訂對簡明綜合財務報表內所呈報金額及／或該等簡明綜合財務報表所載披露並無重大影響。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

簡明綜合財務報表附註

For the six months ended 30 June 2017

截至二零一七年六月三十日止六個月

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segments:

Segment revenue, results, assets and liabilities

Six months ended 30 June 2017 (unaudited)

Segment revenue	分部收入
Segment cost of sales before raw milk fair value adjustments	原料奶公平值調整前的分部銷售成本
Reportable segment profit (loss)	可呈報分部溢利(虧損)
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛出售成本產生的虧損
Share of loss of an associate	應佔一間聯營公司的虧損
Unallocated other income	未分配其他收入
Unallocated other gains and losses	未分配其他收益及虧損
Unallocated expenses	未分配開支
Loss before tax	除稅前虧損
As at 30 June 2017 (unaudited)	於二零一七年六月三十日 (未經審核)
Segment assets	分部資產
Unallocated assets	未分配資產
Consolidated assets	合併資產
Segment liabilities	分部負債
Unallocated liabilities	未分配負債
Consolidated liabilities	合併負債

* Inter-segment elimination represents the elimination of sales of raw milk from dairy farming segment to processed liquid milk segment and related current accounts.

Segment revenue of dairy farming segment included inter-segment revenue of RMB139,032,000, which are charged at prices internally agreed between dairy farming segment and processed liquid milk segment.

4. 分部資料

以下為按可呈報分部劃分的本集團收入及業績的分析：

分部收入、業績、資產及負債

截至二零一七年六月三十日止六個月(未經審核)

Dairy farming	Liquid milk products	Subtotal	Inter-segment elimination*	Total
奶牛養殖	液態奶產品	小計	內部間抵銷*	總計
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
2,078,320	405,092	2,483,412	(139,032)	2,344,380
1,515,032	357,472	1,872,504	(147,108)	1,725,396
249,854	(306,200)	(56,346)	8,076	(48,270)
				(497,080)
				(85)
				12,369
				(26,558)
				(127,752)
				(687,376)
15,803,083	1,801,036	17,604,119	(1,135,563)	16,468,556
				443,598
				16,912,154
7,204,040	1,826,238	9,030,278	(1,135,268)	7,895,010
				1,631,363
				9,526,373

* 內部間抵銷指奶牛養殖分部向加工液態奶分部銷售原料奶與相關流動賬目的抵銷。

奶牛養殖分部之分部收入包括內部間收入人民幣139,032,000元，乃按奶牛養殖分部與加工液態奶分部之間內部商定的價格收取。

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

簡明綜合財務報表附註

For the six months ended 30 June 2017
截至二零一七年六月三十日止六個月

4. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities (continued)

Six months ended 30 June 2016 (unaudited)

		Dairy farming	Liquid milk products	Subtotal	Inter-segment elimination*	Total
		奶牛養殖	液態奶產品	小計	內部間抵銷*	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Segment revenue	分部收入	1,914,987	655,395	2,570,382	(341,272)	2,229,110
Segment cost of sales before Raw milk fair value adjustments	原料奶公平值調整前的 分部銷售成本	1,290,322	534,856	1,825,178	(321,437)	1,503,741
Reportable segment profit (loss)	可呈報分部溢利(虧損)	362,118	165	362,283	(19,835)	342,448
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛 出售成本產生的虧損					(499,245)
Share of loss of an associate	應佔一間聯營公司的虧損					(1,583)
Unallocated other income	未分配其他收入					6,218
Unallocated other gains and losses	未分配其他收益及虧損					(387,817)
Unallocated expenses	未分配開支					(49,694)
Loss before tax	除稅前虧損					(589,673)
As at 31 December 2016	於二零一六年十二月三十一日					
Segment assets	分部資產	16,153,073	1,894,221	18,047,294	(942,720)	17,104,574
Unallocated assets	未分配資產					704,130
Consolidated assets	合併資產					17,808,704
Segment liabilities	分部負債	8,847,228	1,804,468	10,651,696	(934,350)	9,717,346
Unallocated liabilities	未分配負債					968,462
Consolidated liabilities	合併負債					10,685,808

* Inter-segment elimination represents the elimination of sales of raw milk from dairy farming segment to processed liquid milk segment and related current accounts.

Segment revenue of dairy farming segment included inter-segment revenue of RMB341,272,000, which are charged at prices internally agreed between dairy farming segment and processed liquid milk segment.

4. 分部資料(續)

分部收入、業績、資產及負債(續)

截至二零一六年六月三十日止六個月(未經審核)

		Dairy farming	Liquid milk products	Subtotal	Inter-segment elimination*	Total
		奶牛養殖	液態奶產品	小計	內部間抵銷*	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Segment revenue	分部收入	1,914,987	655,395	2,570,382	(341,272)	2,229,110
Segment cost of sales before Raw milk fair value adjustments	原料奶公平值調整前的 分部銷售成本	1,290,322	534,856	1,825,178	(321,437)	1,503,741
Reportable segment profit (loss)	可呈報分部溢利(虧損)	362,118	165	362,283	(19,835)	342,448
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛 出售成本產生的虧損					(499,245)
Share of loss of an associate	應佔一間聯營公司的虧損					(1,583)
Unallocated other income	未分配其他收入					6,218
Unallocated other gains and losses	未分配其他收益及虧損					(387,817)
Unallocated expenses	未分配開支					(49,694)
Loss before tax	除稅前虧損					(589,673)
As at 31 December 2016	於二零一六年十二月三十一日					
Segment assets	分部資產	16,153,073	1,894,221	18,047,294	(942,720)	17,104,574
Unallocated assets	未分配資產					704,130
Consolidated assets	合併資產					17,808,704
Segment liabilities	分部負債	8,847,228	1,804,468	10,651,696	(934,350)	9,717,346
Unallocated liabilities	未分配負債					968,462
Consolidated liabilities	合併負債					10,685,808

* 內部間抵銷指奶牛養殖分部向加工液態奶分部銷售原料奶與相關流動賬目的抵銷。

奶牛養殖分部之分部收入包括內部間收入人民幣341,272,000元，乃按奶牛養殖分部與加工液態奶分部之間內部商定的價格收取。

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截至二零一七年六月三十日止六個月

4. SEGMENT INFORMATION (continued)

Geographic information

Since all of the revenue from external customers is derived from the customers located in mainland China and all of the non-current assets are located in mainland China and all the segments are managed on a nationwide basis because of the similarity of the type or class of the customers and the similarity of the regulatory environment in the whole region, no geographic information by segment is presented.

Information about major customers

Included in revenue arising from sales of raw milk to external customers of RMB1,939,288,000 (for the six months ended 30 June 2016: RMB1,573,715,000) are revenue of approximately RMB1,534,675,000 (for the six months ended 30 June 2016: RMB1,123,999,000) which arose from sales to a single external customer. During the current period, the Group also sold liquid milk products of RMB22,602,000 to this customer. No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2017 and 2016.

4. 分部資料(續)

地域資料

由於所有來自外部客戶的收入乃源自中國內地的客戶且所有非流動資產均位於中國內地，而所有分部因整個地區客戶類型或類別的相似性及監管環境的相似性而按全國基準進行管理，因此並無呈列按分部劃分的地域資料。

有關主要客戶的資料

外部客戶原料奶銷售收入人民幣1,939,288,000元(截至二零一六年六月三十日止六個月：人民幣1,573,715,000元)包括向單一外部客戶銷售產生的收入約人民幣1,534,675,000元(截至二零一六年六月三十日止六個月：人民幣1,123,999,000元)。於本期間，本集團亦向該客戶出售為數達人民幣22,602,000元的液態奶產品。截至二零一七年及二零一六年六月三十日止六個月並無其他單一客戶向本集團貢獻10%或以上收入。

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5. OTHER INCOME

5. 其他收入

Six months ended 30 June
截至六月三十日止六個月

		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Bank interest income	銀行利息收入	5,286	4,972
Government grants related to	就以下各項授出的政府補貼：		
– Biological assets (note i)	– 生物資產(附註i)	–	20,000
– Other assets	– 其他資產	7,252	6,929
– Income (note ii)	– 收入(附註ii)	6,498	5,759
		13,750	32,688
Others	其他	8,790	2,517
		27,826	40,177

Notes:

- i. These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of supporting the Group to purchase dairy cows.
- ii. These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.

附註：

- i. 該等政府補貼為本集團從有關政府部門收取的無條件政府補貼，旨在支持本集團購買乳牛。
- ii. 該等政府補貼為本集團從有關政府部門收取的無條件政府補貼，旨在為本集團的營運提供即時財政支持。

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截至二零一七年六月三十日止六個月

6. LOSS BEFORE FINANCE COSTS AND TAX

Loss before finance costs and tax is arrived at after charging (crediting):

6. 除融資成本及稅項前虧損

除融資成本及稅項前虧損已扣除(計入)：

		Six months ended 30 June	
		截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(unaudited)	(unaudited)
		(未經審核)	(未經審核)
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前銷售成本		
Breeding costs to produce raw milk	生產原料奶的養殖成本	1,413,920	1,057,934
Production costs for liquid milk products	液態奶產品的生產成本	311,476	445,807
		1,725,396	1,503,741
Gains arising on initial recognition of raw milk at fair value less cost to sell at the point of harvest	於收穫時按公平值減銷售成本初始確認原料奶產生的收益	501,413	557,307
		2,226,809	2,061,048
Other gains and losses:	其他收益及虧損：		
Fair value loss from original contingent consideration	原或然代價的公平值虧損	-	387,793
Loss from settlement of Modified Considerations (note 20)	結清經修訂代價的虧損(附註20)	15,361	-
Net foreign exchange loss	外匯虧損淨額	4,546	4,256
Loss on disposal of property, plant and equipment, net	出售物業、廠房及設備虧損淨額	1,681	1,595
Gains arising on deemed disposal of an associate	視作出售一間聯營公司所產生的收益	-	(1,462)
Impairment loss on trade receivables	貿易應收款項減值虧損	156,400	-
Loss on foreign currency forward	外匯遠期虧損	1,949	-
Others	其他	3,280	(3,430)
		183,217	388,752

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6. LOSS BEFORE FINANCE COSTS AND TAX 6. 除融資成本及稅項前虧損(續)

(continued)

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Depreciation of property, plant and equipment	物業、廠房及設備折舊	292,517	274,293
Less: capitalised in biological assets and agricultural produce	減：生物資產及農產品的資本化金額	(126,262)	(124,590)
Depreciation charged to profit or loss	計入損益的折舊	166,255	149,703
Employee benefits expenses	僱員福利開支	250,017	213,906
Less: capitalised in biological assets and agricultural produce	減：生物資產及農產品的資本化金額	(60,607)	(66,127)
Employee benefits charged to profit or loss	計入損益的僱員福利	189,410	147,779
Auditors' remuneration	核數師酬金	500	700
Release of land use rights	土地使用權解除	2,016	1,891

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For the six months ended 30 June 2017

截至二零一七年六月三十日止六個月

7. FINANCE COSTS

7. 融資成本

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Interest expenses on:	利息開支：		
Bank borrowings	銀行借款	85,472	144,052
Short-term debenture	短期債券	24,401	18,663
Medium-term notes	中期票據	45,340	27,223
Other borrowings	其他借款	6,771	427
Corporate bonds	企業債券	18,493	-
Total borrowing cost	借貸成本總額	180,477	190,365
Less: amounts capitalised for construction of property, plant and equipment	減：有關建設物業、廠房及設備的資本化金額	(412)	(1,603)
Cost of discount of bills receivable	應收票據折讓成本	2,965	7,028
Gain on an interest swap	利率掉期收益	(49)	-
		182,981	195,790

For the six months ended 30 June 2017, the borrowing cost was capitalised based on the terms of the general bank borrowings in respect of construction in progress. The weighted average capitalisation rate on general borrowings is 5.11% per annum (six months ended 30 June 2016: 4.52% per annum) for current reporting period.

截至二零一七年六月三十日止六個月，借貸成本已就在建工程按一般銀行借貸的條款資本化。於本報告期間，一般借貸的加權平均資本化率為每年5.11%（截至二零一六年六月三十日止六個月：每年4.52%）。

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截至二零一七年六月三十日止六個月

8. INCOME TAX EXPENSE

The charge comprises:

Current tax:

PRC enterprise income tax

開支包括：

即期稅項：

中國企業所得稅

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries established in the PRC.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both periods). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Dividend income of Aquitair Holdings Limited from Modern Farming (Group) Co., Ltd ("Modern Farm") is subject to Irish Income Tax at 25%. As at 30 June 2017, the aggregate amount of temporary differences associated with undistributed earnings of Modern Farm was approximately RMB1,222,514,000 (31 December 2016: RMB1,562,974,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

According to the prevailing tax rules and regulation in the PRC, the Group is exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC.

8. 所得稅開支

Six months ended 30 June
截至六月三十日止六個月

2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
137	205

稅項開支指按於中國成立的附屬公司的應課稅收入的現行稅率計算的中國所得稅。

中國附屬公司於兩個期間須按25%的稅率繳納中國企業所得稅。其他司法權區產生的稅項乃按相關司法權區的現行稅率計算。

來自現代牧業(集團)有限公司(「現代牧業」)的Aquitair Holdings Limited的股息收入須繳納25%的愛爾蘭所得稅。於二零一七年六月三十日，有關現代牧業未分派盈利的臨時差異總額約為人民幣1,222,514,000元(二零一六年十二月三十一日：人民幣1,562,974,000元)。概無就該等差異確認任何負債，原因是本集團可控制臨時差異的撥回時間，而該等差異將不會於可見未來撥回。

根據中國現行稅務規則及法規，本集團於中國經營農業業務產生的應課稅溢利獲豁免繳納企業所得稅。

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9. DIVIDENDS

No interim dividends (six months ended 30 June 2016: nil) were paid, declared or proposed for current period.

10. LOSS PER SHARE

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

Loss

Loss for the purposes of basic and diluted loss per share

虧損

用於計算每股基本及攤薄虧損的虧損

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share
Effect of share options issued by the Company

Weighted average number of ordinary shares for the purpose of diluted loss per share

股份數目

用於計算每股基本虧損的普通股加權平均數
本公司發行購股權的影響

用於計算每股攤薄虧損的普通股加權平均數

The calculation of diluted loss per share for the six months ended 30 June 2017 and 2016 has not taken into account the effect of the share options and share awards of the Company, as appropriate, since the assumed exercise and vesting would result in decrease in loss per share.

9. 股息

本期並無派付、宣派或擬派任何中期股息(截至二零一六年六月三十日止六個月：無)。

10. 每股虧損

本公司持有人應佔每股基本及攤薄虧損乃根據以下數據計算：

Six months ended 30 June

截至六月三十日止六個月

2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
(666,255)	(565,668)

Six months ended 30 June

截至六月三十日止六個月

2017 二零一七年 (unaudited) (未經審核)	2016 二零一六年 (unaudited) (未經審核)
5,949,128,811	5,304,767,883
-	-
5,949,128,811	5,304,767,883

計算截至二零一七年及二零一六年六月三十日止六個月的每股攤薄虧損並無計及本公司購股權及股份獎勵(如適用)的影響，因假設行使及歸屬將會導致每股虧損減少。

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11. INTEREST IN AN ASSOCIATE

Details of the Group's interest in an associate are as follows:

Name of company 公司名稱	Place of establishment 成立地點	Registered and paid-up capital 註冊及繳足股本		Proportion of ownership interest 佔擁有權權益的比例		Principal activities 主要業務
		As at 30 June 2017 於二零一七年 六月三十日	As at 31 December 2016 於二零一六年 十二月三十一日	30/06/2017 二零一七年 六月三十日 %	31/12/2016 二零一六年 十二月三十一日 %	
Modern Farming (Anhui) Ecommerce Co., Ltd. ("MF Ecommerce") 現代牧業(安徽)電子商務有限公司 (「現代牧業電子商務」)	PRC 中國	RMB10,000,000 人民幣10,000,000元	RMB10,000,000 人民幣10,000,000元	45	45	Online sales of milk 網上銷售牛奶

MF Ecommerce was incorporated by the Group and two non-related individuals during 2016. The Group made cash capital contribution of RMB1,920,000, which accounted for 45% equity interests in MF Ecommerce. MF Ecommerce is accounted for as an associate.

11. 於一間聯營公司權益

本集團於一間聯營公司權益的詳情如下：

二零一六年內，本集團與兩名非關聯個人註冊成立現代牧業電子商務。本集團以現金方式出資人民幣1,920,000元，相當於現代牧業電子商務的45%股權。現代牧業電子商務入賬列為聯營公司。

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截至二零一七年六月三十日止六個月

12. BIOLOGICAL ASSETS

The fair value less costs to sell of dairy cows at end of the reporting period is set out below:

Milkable cows	奶牛
Heifers and calves	小母牛及小牛
Total dairy cows	乳牛總計

The Group's dairy cows were fair valued by the Directors at 30 June 2017 while the fair value of the Group's dairy cows at 31 December 2016 has been arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in note 27.

12. 生物資產

報告期末的乳牛公平值減銷售成本載列如下：

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
5,091,009	5,173,559
2,515,000	2,429,400
7,606,009	7,602,959

本集團的乳牛於二零一七年六月三十日的公平值乃由董事估值得出，而本集團的乳牛於二零一六年十二月三十一日的公平值乃基於由仲量聯行企業評估及諮詢有限公司進行估值釐定。釐定公平值所用估值技術及估值模型所用主要輸入數據披露於附註27。

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13. TRADE AND OTHER RECEIVABLES

Trade receivables	應收貿易賬款
Bills receivable	應收票據
Less: allowance for doubtful debts (note)	減：呆賬撥備(附註)
Advanced payments for feeds and materials	就飼料及材料的墊款
Input value added tax recoverable	可收回進項增值稅
Interest receivables	應收利息
Receivable in respect of disposal of property, plant and equipment	就出售物業、廠房及設備應收款項
Others	其他

Note: In June 2017, the Group entered into a framework supply and processing agreement with Mengniu Group, which is subject to independent shareholders' approval, pursuant to which the Group agreed to sell its milk products to Mengniu Group to enlarge its market share by leveraging the established distribution channel of Mengniu Group. In the meantime, the Group discontinued its cooperation with other major distributors. These distributors have been engaged by Mengniu Group as the secondary distributors of Mengniu Group for distribution of liquid milk products of the Group. In view of the termination of the direct distributorship with these distributors, the Group anticipated the repayment of the trade receivable of RMB1,067,132,000 due from these distributors would be delayed and the amount of repayment of trade receivables may not be fully recovered. The Group will closely monitor the operations of these distributors and reinforce collection. After taking into account of the present value of future collection and the security of 338,602,205 ordinary shares of the Company held by certain individuals who used to be the non-controlling equity holders of Modern Farm (Anhui) Dairy Product Sales Co., Ltd. ("Modern Farm Anhui") and were responsible for selecting distributors, an impairment loss of RMB156,400,000 was recognised in respect of the Group's trade receivables due from these distributors.

13. 應收貿易賬款及其他應收款項

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
1,442,449	1,217,606
27,950	1,500
(156,400)	(1,589)
1,313,999	1,217,517
138,605	82,787
45,976	31,261
979	694
—	9,842
5,172	6,379
1,504,731	1,348,480

附註：於二零一七年六月，本集團與蒙牛集團訂立框架供應及加工協議，有關協議尚待獨立股東批准。據此，本集團同意向蒙牛集團出售其乳製品，透過借助蒙牛集團成熟的分銷渠道，擴大其市場佔有額。與此同時，本集團終止與其他主要分銷商的合作。該等分銷商已由蒙牛集團委聘作為蒙牛集團的次級分銷商，以分銷本集團之液態奶產品。鑒於終止與該等分銷商之直接經銷權已終止，本集團預期該等分銷商結欠的應收貿易賬款人民幣1,067,132,000元將會延遲償還，而應收貿易賬款的償還金額或不能全數收回。本集團將密切監察該等分銷商的營運及加強收款情況。經計及未來收回款項的現值及若干曾為現代牧業(安徽)乳品銷售有限公司(「現代牧業(安徽)」)之非控股權益持有人並負責甄選分銷商的個別人士持有338,602,205股本公司普通股的抵押，已就該等分銷商結欠本集團的應收貿易賬款確認減值虧損人民幣156,400,000元。

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13. TRADE AND OTHER RECEIVABLES (continued)

The Group normally allows credit periods of 30 to 120 days to its customers. The Group may consider to extend credit periods to up to 360 days for certain customers that have long relationship with the Group on a case by case basis.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates at the end of the reporting period:

13. 應收貿易賬款及其他應收款項(續)

本集團通常給予其客戶30至120天的信貸期。本集團可能按具體情況考慮延長若干與本集團有長期關係的客戶的信貸期至最多360天。

於報告期末按發票日呈列的應收貿易賬款(扣除呆賬撥備)的賬齡分析如下,當中與報告期末各自的收益確認日期相若:

		30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
Trade receivables	應收貿易賬款		
– within 120 days	– 120天以內	462,634	672,426
– beyond 120 days but within 360 days	– 120天以上但360日以內	578,520	461,328
– beyond 360 days	– 360日以上	244,895	82,263
Bills receivable	應收票據		
– within 120 days	– 120天以內	27,950	–
– beyond 120 days but within 360 days	– 120天以上但360日以內	–	1,500
		1,313,999	1,217,517

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14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date and the analysis used by the Group's management to monitor the Group's financial position.

14. 應付貿易賬款及其他應付款項

以下為按賬齡劃分的應付貿易賬款分析，按發票日期呈列，且該分析被本集團管理層用作監督本集團的財務狀況。

		30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
Trade payables	應付貿易賬款		
– within 60 days	– 60天以內	973,306	1,204,450
– beyond 60 days but within 120 days	– 超過60天但於120天以內	209,514	213,399
– beyond 120 days	– 超過120天	32	84,293
Bills payable (note)	應付票據(附註)	289,900	377,055
		1,472,752	1,879,197
Payable for acquisition of property, plant and equipment	購買物業、廠房及設備應付款項	448,150	554,959
Accrued staff costs	應計員工成本	66,812	70,965
Accrued interest expenses	應計利息開支	68,219	102,009
Advance payments from customers	預收客戶款項	19,000	77,119
Others	其他	84,709	97,478
		2,159,642	2,781,727

Note: Bills payable are bank accepted and mature within six months from the respective issuance dates.

附註：應付票據可於銀行承兌，於各自發出日期起計六個月內到期。

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15. BANK BORROWINGS

During the current period, the Group obtained new bank borrowings amounting to RMB1,114,507,000 (six months ended 30 June 2016 RMB1,815,091,000) and repaid RMB1,579,035,000 (six months ended 30 June 2016: RMB3,568,597,000).

The annual interest rate of the bank borrowings during the current period ranged from 0.90% to 6.40% (six months ended 30 June 2016: 1.81% to 6.40%). As at 30 June 2017, the Group's interest-bearing bank borrowings were denominated in RMB and Euro.

16. SHORT-TERM DEBENTURE

Short term debenture – unsecured

短期債券－無擔保

Notes:

- i. On 20 January 2017, Modern Farm issued short-term debenture with a principal amount of RMB500,000,000 through China Construction Bank Co., Ltd., the leading underwriter, with maturity of nine months. The short-term debenture bears a fixed interest rate of 5.39% per annum. Related transaction costs amounted to RMB1,500,000. The effective interest rate is 5.93% per annum.
- ii. On 2 September 2016, Modern Farm issued short-term debenture with a principal amount of RMB300,000,000 through China Merchants Bank Co., Ltd., the leading underwriter, with maturity of nine months. The short-term debenture bears a fixed interest rate of 5.00% per annum. Related transaction costs amounted to RMB900,000. The effective interest rate is 5.32% per annum. The short-term debenture was redeemed during the current period when it fell due.
- iii. On 16 June 2016, Modern Farm issued short-term debenture with a principal amount of RMB500,000,000 through China Construction Bank Co., Ltd., the leading underwriter, with maturity of nine months. The short-term debenture bears a fixed interest rate of 4.67% per annum. Related transaction costs amounted to RMB1,500,000. The effective interest rate is 5.00% per annum. The short-term debenture was redeemed during the current period when it fell due.

15. 銀行借款

於本期間，本集團獲得新增銀行借款人民幣1,114,507,000元(截至二零一六年六月三十日止六個月：人民幣1,815,091,000元)，並已償還人民幣1,579,035,000元(截至二零一六年六月三十日止六個月：人民幣3,568,597,000元)。

本期間，銀行借款的年利率介乎0.90%至6.40%(截至二零一六年六月三十日止六個月：1.81%至6.40%)。於二零一七年六月三十日，本集團計息銀行借款均以人民幣及歐元計值。

16. 短期債券

30 June 2017 二零一六年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
499,394	799,425

附註：

- i. 於二零一七年一月二十日，現代牧業透過中國建設銀行股份有限公司(主承銷商)發行短期債券，本金額人民幣500,000,000元，年期九個月。短期債券的固定利率為每年5.39%。有關交易成本為人民幣1,500,000元。實際利率為每年5.93%。
- ii. 於二零一六年九月二日，現代牧業透過招商銀行股份有限公司(主承銷商)發行短期債券，本金額人民幣300,000,000元，年期九個月。短期債券的固定利率為每年5.00%。有關交易成本為人民幣900,000元。實際利率為每年5.32%。短期債券於本期間到期時獲贖回。
- iii. 於二零一六年六月十六日，現代牧業透過中國建設銀行股份有限公司(主承銷商)發行短期債券，本金額人民幣500,000,000元，年期九個月。短期債券的固定利率為每年4.67%。有關交易成本為人民幣1,500,000元。實際利率為每年5.00%。短期債券於本期間到期時獲贖回。

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17. OTHER BORROWINGS

17. 其他借款

		30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
Principal payable:	應付本金額：		
Within one year	一年內		
– Collateralised borrowing (note)	– 有抵押借款(附註)	41,489	38,527
– Borrowings from Mengniu Group (note 26(d))	– 蒙牛集團借款(附註26(d))	377,000	–
		418,489	38,527
Within a period of more than one year but not more than two years	超過一年但不超過兩年的期間		
– Collateralised borrowing (note)	– 有抵押借款(附註)	16,640	36,962
		435,129	75,489
Less: Amount due for settlement within 12 months (shown under current liabilities)	減：12個月內到期結算款項 (列於流動負債項下)	(418,489)	(38,527)
Amount due for settlement after 12 months	12個月後到期結算款項	16,640	36,962

Note: In June 2016, the Group entered into a financing arrangement with Far Eastern Leasing Co., Ltd., pursuant to which the Group transferred the legal title of certain equipment of the Group to Far Eastern Leasing Co., Ltd. at net consideration of RMB96,250,000. The Group is obligated to pay quarterly instalment of RMB11,325,000 from July 2016 to July 2018 and the remaining balance of RMB6,913,000 will be paid in October 2018. Upon the maturity of the lease, the Group is entitled to purchase back the equipment at cash consideration of RMB100. Despite the arrangement involves a legal form of a lease, the Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method, in accordance with the substance of the arrangement.

附註：於二零一六年六月，本集團與Far Eastern Leasing Co., Ltd.訂立融資安排，據此，本集團以淨代價人民幣96,250,000元向Far Eastern Leasing Co., Ltd.轉讓若干設備的法定業權。本集團須於二零一六年七月至二零一八年七月支付每季分期款項人民幣11,325,000元，而剩餘結餘人民幣6,913,000元則將於二零一八年十月支付。於租賃到期時，本集團有權以現金代價人民幣100元購回設備。儘管安排涉及租賃的法律形式，但本集團根據安排的實質內容使用實際利息法按攤銷成本將安排入賬為有抵押借款。

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18. MEDIUM-TERM NOTES

18. 中期票據

		30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
Within one year	一年內	1,197,650	-
Within a period of more than one year but not more than two years	超過一年但不超過兩年的期間	598,800	1,796,605
		1,796,450	1,796,605
Less: Amount due for settlement within 12 months (shown under current liabilities)	減：12個月內到期結算款項 (列於流動負債項下)	(1,197,650)	-
Amount due for settlement after 12 months	12個月後到期結算款項	598,800	1,796,605

Notes:

- i. On 23 March 2016, Modern Farm issued medium-term notes with an aggregate principal amount of RMB1,000,000,000 which will mature in two years. The medium-term notes bear a fixed interest rate of 4.60% per annum. Related transaction costs amounted to RMB3,000,000. The effective interest rate is 4.91% per annum.
- ii. On 23 March 2016, Modern Farm issued medium-term notes with an aggregate principal amount of RMB600,000,000 which will mature in three years. The medium-term notes bear a fixed interest rate of 4.75% per annum. Related transaction costs amounted to RMB1,800,000. The effective interest rate is 5.07% per annum.
- iii. On 11 February 2015, Modern farm issued medium-term notes with an aggregate principal amount of RMB200,000,000 which will mature in three years. The medium-term notes bear a fixed interest rate of 6.31% per annum.

附註：

- i. 於二零一六年三月二十三日，現代牧業發行中期票據，本金總額為人民幣1,000,000,000元，將於兩年後到期。中期票據的固定利率為每年4.60%。相關交易成本為人民幣3,000,000元。實際利率為每年4.91%。
- ii. 於二零一六年三月二十三日，現代牧業發行中期票據，本金總額為人民幣600,000,000元，將於三年後到期。中期票據的固定利率為每年4.75%。相關交易成本為人民幣1,800,000元。實際利率為每年5.07%。
- iii. 於二零一五年二月十一日，現代牧業發行中期票據，本金總額為人民幣200,000,000元，將於三年後到期。中期票據的固定利率為每年6.31%。

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19. CORPORATE BONDS

19. 公司債券

Corporate bonds

公司債券

Note: In June 2016, the Group obtained approval from China Securities Regulatory Commission to issue corporate bond in the PRC of an aggregate principal amount up to RMB2,000,000,000 within 24 months from the approval. On 12 August 2016, the Group issued the first tranche of the corporate bond of an aggregate principal amount of RMB250,000,000 which will mature in three years. The corporate bond bear a fixed interest rate of 5.30% per annum. Related transaction costs amounted to RMB1,125,000. The effective interest rate is 5.47% per annum.

On 28 March 2017, the Group issued the second tranche of corporate bond of an aggregate principal amount of RMB800,000,000 which will mature in three years. The corporate bond bear a fixed interest rate of 5.49% per annum. Related transaction costs amounted to RMB3,600,000. The effective interest rate is 5.66% per annum.

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
1,045,820	249,020

附註：於二零一六年六月，本集團經中國證券監督管理委員會批准於批准之日起24個月內在中國發行本金總額最多人民幣2,000,000,000元的公司債券。於二零一六年八月十二日，本集團發行首批公司債券，本金總額為人民幣250,000,000元，將於三年後到期。公司債券的固定利率為每年5.30%。相關交易成本為人民幣1,125,000元。實際利率為每年5.47%。

於二零一七年三月二十八日，本集團發行第二批公司債券，本金總額為人民幣800,000,000元，將於三年後到期。公司債券的固定利率為每年5.49%。相關交易成本為人民幣3,600,000元。實際利率為每年5.66%。

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20. OTHER FINANCIAL LIABILITIES

20. 其他金融負債

		30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
Interest swap	利率掉期	-	126
Modified Considerations (note)	經修訂代價(附註)	-	926,932
		-	927,058

Note: The Modified Considerations, as defined in note 20 to the Company's consolidated financial statements for the year ended 31 December 2016, comprised 488,036,618 ordinary shares of the Company and cash of USD13,424,231 to be issued/paid by the Company to Success Dairy II Limited ("Success Dairy") as at 31 December 2016, which are measured at FVTPL. The Modified Considerations were settled on 6 February 2017, resulting in a loss on derecognition of RMB15,361,000.

附註：誠如截至二零一六年十二月三十一日止年度本公司綜合財務報表附註20所界定的經修訂代價包括於二零一六年十二月三十一日本公司將向Success Dairy II Limited(「Success Dairy」)發行的488,036,618股本公司普通股及支付現金13,424,231美元，按公平值計入損益計量。經修訂代價已於二零一七年二月六日結清，產生取消確認虧損人民幣15,361,000元。

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21. SHARE CAPITAL

21. 股本

		Number of shares 股份數目 '000 千股	Share capital 股本 HK'000 千港元
Authorised	法定		
At 1 January 2017 and 30 June 2017	於二零一七年一月一日及 二零一七年六月三十日	10,000,000	1,000,000
Issued and fully paid	已發行及繳足		
At 1 January 2017	於二零一七年一月一日	5,304,768	530,477
Ordinary shares issued for acquisition of non-controlling interests (note 23)	為收購非控股權益而發行的 普通股(附註23)	338,602	33,860
Ordinary shares issued for settlement of Modified Considerations (note 20)	為結算經修訂代價而發行的 普通股(附註20)	488,037	48,804
At 30 June 2017	於二零一七年六月三十日	6,131,407	613,141
		30/06/2017	31/12/2016
		二零一七年	二零一六年
		六月三十日	十二月三十一日
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Presented as	呈列為	526,058	452,959

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22. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Schemes

As at 1 January 2017, the Company had outstanding share options granted under several share option schemes, namely Share Option Scheme I, Share Option Scheme II, Share Option Scheme III and Modern Farm Option Scheme. The definition and details of these share option schemes are set out in note 33 to the Company's consolidated financial statements for the year ended 31 December 2016.

In February 2017, Mengniu Company made a mandatory cash offer to acquire and cancel all of the outstanding share options issued by the Company. In March 2017, all of the grantees of Share Option Scheme I, Share Option Scheme II, Share Option Scheme III and one grantee of Modern Farm Option Scheme accepted the offer and therefore all of the outstanding options issued under Share Option Scheme I, Share Option Scheme II, Share Option Scheme III and 9,142,924 share options of Modern Farm Option Scheme were acquired and cancelled by Mengniu Company. The cancellation of share options that have not been vested is accounted for as acceleration of vesting, resulting in a one-off share option expense of RMB92,623,000 recognised upon the cancellation and the amount of RMB204,543,000 previously recognised in share option reserve in respect of these cancelled share option schemes was transferred to retained earnings.

(b) Modern Farm Option Scheme

The Modern Farm Scheme was adopted pursuant to agreement dated 9 June 2009 for the primary purpose of providing incentives to directors and eligible employees of Modern Farm and its subsidiaries, and will expire on 8 June 2019. Under the Modern Farm Scheme, Modern Farm granted options to two directors and one top management of Modern Farm (the "MF Grantees") to subscribe for a total of RMB10,821,069 paid-in capital (the "MF Options") and each MF option has an exercise price of RMB5.9883 per RMB1 paid-in capital on 17 June 2009, which were vested immediately.

At 30 June 2010, the amount of paid-in capital in respect of which MF Grantees can subscribe for and remained outstanding under the Modern Farm Scheme was RMB10,821,069, representing 2.09% of the paid-in capital of Modern Farm at that date.

22. 以股份支付的付款交易

(a) 購股權計劃

於二零一七年一月一日，根據若干購股權計劃，即購股權計劃I、購股權計劃II、購股權計劃III及現代牧業購股權計劃，本公司有已授出未行使的購股權。該等購股權計劃的定義及詳情載於本公司截至二零一六年十二月三十一日止年度的綜合財務報表附註33。

於二零一七年二月，蒙牛公司進行強制性現金要約以收購並註銷所有由本公司發行的未行使購股權。於二零一七年三月，所有購股權計劃I、購股權計劃II、購股權計劃III及現代牧業購股權計劃的承授人接受該要約，因此，根據購股權計劃I、購股權計劃II及購股權計劃III發行的所有尚未行使購股權及現代牧業購股權計劃的9,142,924份購股權已由蒙牛公司購得並註銷。註銷尚未歸屬的購股權列賬為加快歸屬，產生的一次性購股權開支人民幣92,623,000元於註銷後確認，而就該等已註銷購股權計劃先於購股權儲備確認的人民幣204,543,000元金額已轉撥至保留盈利。

(b) 現代牧業購股權計劃

現代牧業計劃乃根據日期為二零零九年六月九日訂立的協議採納，主要旨在為現代牧業及其附屬公司的董事及合資格僱員提供獎勵，並將於二零一九年六月八日屆滿。根據現代牧業計劃，現代牧業向現代牧業兩名董事及一名最高管理層人員（「現代牧業承授人」）授出可認購合共人民幣10,821,069元實繳資本的購股權（「現代牧業購股權」），而每份現代牧業購股權於二零零九年六月十七日的行使價為每人民幣1元實繳資本人民幣5.9883元，已即時歸屬。

於二零一零年六月三十日，現代牧業承授人根據現代牧業計劃可以認購及尚未認購的實繳資本額為人民幣10,821,069元，佔現代牧業於該日期實繳資本的2.09%。

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截至二零一七年六月三十日止六個月

22. SHARE-BASED PAYMENT TRANSACTIONS

(continued)

(b) Modern Farm Option Scheme (continued)

On 31 October 2010, the Company granted to the MF Grantees a total of 87,412,507 share options of the Company for nil consideration and each with an exercise price of HK\$0.86 (RMB0.74) per share (the "Management Options") to replace the MF Options which lapsed and ceased to have effect at the same time. The Company's management considers that the Management Options granted is a replacement of the MF Options granted and the incremental fair value caused by the replacement of the MF Options with the Management Options is insignificant. The following table discloses movements of the Management Options during the current period:

Category	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Accepted the offer during the period	Outstanding and exercisable
					as at 30 June 2017
	於二零一七年 一月一日				於二零一七年 六月三十日
	尚未行使	期內授出	期內行使	期內接受	尚未行使 及可行使
Management Options	60,073,756	-	-	(9,142,924)	50,930,832
					Outstanding and exercisable
	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Forfeited during the period	as at 30 June 2016
	於二零一六年 一月一日				於二零一六年 六月三十日
	尚未行使	期內授出	期內行使	期內沒收	尚未行使 及可行使
Management Options	60,073,756	-	-	-	60,073,756

22. 以股份支付的付款交易(續)

(b) 現代牧業購股權計劃(續)

於二零一零年十月三十一日，本公司以零代價向現代牧業承授人授出合共87,412,507份本公司購股權，每份購股權行使價為每股0.86港元(人民幣0.74元)(「管理層購股權」)，以替代同時已經失效並不再生效的現代牧業購股權。本公司管理層認為，授出的管理層購股權乃替代已授出的現代牧業購股權，而由管理層購股權替代現代牧業購股權引致的增額公平值並不重大。下表披露管理層購股權於本期間的變動：

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22. SHARE-BASED PAYMENT TRANSACTIONS

(continued)

(c) Share Award Scheme

On 9 September 2016 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") to motivate and award the contribution of certain members of management and eligible employees of the Group. Subject to any early termination as may be determined by the board of directors of the Company (the "Board"), the Share Award Scheme is valid and effective for a period of 5 years commencing on the Adoption Date. The shares to be awarded under the Share Award Scheme will be acquired by the Company through Dairy Fortune Limited ("Dairy Fortune") which is 100% owned by Dairy Fortune (PTC) Limited (the "Trustee") from the open market by cash contributed by the Group under the directions of the Company and will be held in trust for the relevant selected participants until such shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme. The maximum number of Shares which may be purchased by the Dairy Fortune is 55,000,000 Shares. The total contributed amount shall be not more than HK\$70,000,000. During the year ended 31 December 2016, based on the Company's instructions, the Dairy Fortune purchased a total of 35,519,000 ordinary shares of the Company on open market at a total consideration of approximately HK\$68,966,000 (equivalent to RMB61,424,000). During current reporting period, the Dairy Fortune purchased another 450,000 ordinary shares from the open market at a total consideration of approximately HK\$803,000 (equivalent to RMB713,000) and the number of ordinary shares purchased by Dairy Fortune increased to 35,969,000 shares (the "Award Shares").

Based on the trust arrangements among the Company, the sole shareholder of the Trustee and the Trustee, the Company is able to control the Trustee and its subsidiary, Dairy Fortune, pursuant to IFRS10 Consolidated Financial Statements. Therefore, the Group accounts for the Trustee and Dairy Fortune as consolidated structured entities. The ordinary shares of the Company held by Dairy Fortune as at 30 June 2017 are accounted for as a debit to the Group's reserve and are presented under the account of "Shares held under the Share Award Scheme" in the consolidated financial statements.

22. 以股份支付的付款交易(續)

(c) 股份獎勵計劃

於二零一六年九月九日(「採納日期」)，本公司採納一項股份獎勵計劃(「股份獎勵計劃」)，以激勵及獎勵本集團若干管理層成員及合資格僱員的貢獻。除本公司董事會(「董事會」)可能釐定的任何提早終止外，股份獎勵計劃有效期五年，自採納日期起生效。根據股份獎勵計劃將獎勵的股份將由本公司透過Dairy Fortune (PTC) Limited(「受託人」)全資擁有的Dairy Fortune Limited(「Dairy Fortune」)按照本公司指示以本集團支付的現金從公開市場上收購，並將以信託方式為相關選定參與者持有，直至按照股份獎勵計劃的規定將有關股份歸屬予相關選定參與者。Dairy Fortune可購入的股份數目上限55,000,000股股份。總供款金額上限為不超過70,000,000港元。截至二零一六年十二月三十一日止年度，按照本公司指示，Dairy Fortune已從公開市場上收購合計35,519,000股本公司普通股，總代價約為68,966,000港元(相當於約人民幣61,424,000元)。於本報告期間，Dairy Fortune從公開市場上收購另外450,000股普通股，總代價約為803,000港元(相當於約人民幣713,000元)，因此Dairy Fortune購買的普通股數目增加至35,969,000股(「獎勵股份」)。

根據本公司、受託人的唯一股東及受託人之間的信託安排，本公司根據國際財務報告準則第10號綜合財務報表能夠控制受託人及其附屬公司Dairy Fortune。因此，本集團將受託人及Dairy Fortune入賬列為綜合架構實體。Dairy Fortune於二零一七年六月三十日所持本公司普通股入賬列為本集團儲備借記，並列於綜合財務報表「根據股份獎勵計劃持有的股份」項下。

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22. SHARE-BASED PAYMENT TRANSACTIONS

(continued)

(c) Share Award Scheme (continued)

On 21 April 2017 (the "Grant Date"), a total number of 35,969,000 Award Shares were granted to the selected participants. Out of the total shares granted, 13,274,000 Award Shares were granted to certain members of management, which would vest in two tranches each on the second, and third anniversaries of the Grant Date provided that certain performance and service conditions are met. The remaining Award Shares of 22,695,000 were granted to the eligible employees, which would vest in the second anniversary of the Grant Date provided they are still employed by the Group.

The fair value of the Award Shares granted was calculated based on the market price of the Company's shares at the Grant Date. The fair value of the Award Shares at the Grant Date is HK\$1.66 per share. The aggregate fair values of the Award Shares are HK\$59,709,000 (equivalent to RMB52,854,000). The Group recognised a share award expense of RMB4,535,000 accordingly during the current period.

23. ACQUISITION OF NON-CONTROLLING INTERESTS

On 25 January 2017, the Company issued 338,602,205 ordinary shares of the Company to the holding companies owned by the non-controlling equity holders of Modern Farm Anhui (a subsidiary of the Group), which are non-related to the Group, in exchange for the 100% shareholding interest of Strong Alliance Investment Holdings Company Limited which owned 45% interest of equity interest in Modern Farm Anhui and bank balances of RMB1,800,000. After the acquisition, Modern Farm Anhui is owned as to 45% by the Company and as to 55% by Modern Farm. The excess of RMB555,297,000 between the fair value of the consideration transferred over the carrying amount of the non-controlling interests and bank balances acquired is debited to the Group's other reserve.

22. 以股份支付的付款交易(續)

(c) 股份獎勵計劃(續)

於二零一七年四月二十一日(「授出日期」)，合共35,969,000股獎勵股份授予選定參與者。於所有授出股份中，13,274,000股獎勵股份授予若干管理層成員，於授出日期的第二個周年及第三個周年各歸屬兩個部分，惟須符合若干表現及服務條件。剩餘22,695,000股獎勵股份則授予合資格僱員，於授出日期的第二個周年歸屬，惟彼等須仍受僱於本集團。

已授出獎勵股份的公平值乃根據本公司股份於授出日期的市價計算。獎勵股份於授出日期的公平值為每股1.66港元。獎勵股份合共公平值為59,709,000港元(相當於人民幣52,854,000元)。因此，本集團於本期間確認股份獎勵開支人民幣4,535,000元。

23. 收購非控股權益

於二零一七年一月二十五日，本公司向本集團附屬公司現代牧業(安徽)之非控股權益持有人(其與本集團並無關連)發行338,602,205股本公司普通股，以交換Strong Alliance Investment Holdings Company Limited(其擁有現代牧業(安徽)45%股權之權益)全部股權及銀行結餘人民幣1,800,000元。該收購事項後，現代牧業(安徽)由本公司擁有45%及由現代牧業擁有55%。已轉撥代價公平值超出所收購非控股權益及銀行結餘賬面值人民幣555,297,000元於本集團其他儲備中扣除。

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24. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group has commitment to making future minimum lease payments in respect of property, plant and equipment and leased land rented under non-cancellable operating leases which fall due as follows:

Within one year 一年以內
In the second to fifth year inclusive 二至五年(包括首尾兩年)

24. 經營租賃承擔

本集團(作為承租人)

於報告期末，本集團已承諾就根據不可撤銷經營租賃租用的物業、廠房及設備以及租賃土地支付的未來最低租金按到期情況分析如下：

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
11,368	11,078
4,547	9,666
15,915	20,744

25. CAPITAL COMMITMENTS

Capital expenditure contracted but not provided for, in respect of acquisition of property, plant and equipment 已訂約但未計提撥備的資本開支就收購物業、廠房及設備

25. 資本承擔

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
119,529	134,302

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26. RELATED PARTY TRANSACTIONS

(a) Names and relationship with related parties are as follows:

China Mengniu Dairy Co., Ltd. (“Mengniu Company”)

中國蒙牛乳業有限公司(「蒙牛公司」)

Inner Mongolia Mengniu Dairy (Group) Company Limited*

內蒙古蒙牛乳業(集團)股份有限公司*

Inner Mongolia Mengniu Dairy Keerqin Co., Ltd.*

內蒙古蒙牛乳業科爾沁有限責任公司*

Mengniu Dairy Taian Co., Ltd.*

蒙牛乳業泰安有限公司*

Mengniu Dairy (Maanshan) Co., Ltd.*

蒙牛乳業(馬鞍山)有限公司*

Hubei Frealth Dairy Co., Ltd.*

湖北友芝友乳業有限公司*

Mengniu Dairy (Shangzhi) Co., Ltd.*

蒙牛乳業(尚志)有限公司*

Mengniu Dairy (Chabei) Co., Ltd.*

蒙牛乳業(察北)有限公司*

Mengniu Dairy (Baoji) Co., Ltd.*

蒙牛乳業(寶雞)有限公司*

Mengniu Dairy Meishan Co., Ltd.*

蒙牛乳業眉山有限公司*

Mengniu Saibei Dairy Co., Ltd.*

蒙牛塞北乳業有限公司*

Mengniu Dairy (Suqian) Co., Ltd.*

蒙牛乳業(宿遷)有限公司*

Shijiazhuang Junlebao Dairy Co., Ltd.*

石家莊君樂寶乳業有限公司*

Mengniu Dairy (Wuhan) Co., Ltd.*

蒙牛乳製品武漢有限公司*

Mengniu Dairy (Tongliao) Co., Ltd.*

通遼市蒙牛乳製品有限責任公司*

Inner Mongolia Mengniu Hi-tech Dairy Co., Ltd.*

內蒙古蒙牛高科技乳業有限公司*

Mengniu HiTech Dairy (Maanshan) Co., Ltd.*

蒙牛高科技乳製品(馬鞍山)有限公司*

26. 關連方交易

(a) 以下為關連方名稱及與關連方的關係：

A shareholder who directly and indirectly held 61.25% of the Company's issued share capital

直接及間接持有本公司已發行股本61.25%的股東

A subsidiary of Mengniu Company

蒙牛公司的附屬公司

A subsidiary of Mengniu Company

蒙牛公司的附屬公司

A subsidiary of Mengniu Company

蒙牛公司的附屬公司

A subsidiary of Mengniu Company

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蒙牛公司的附屬公司

A subsidiary of Mengniu Company

蒙牛公司的附屬公司

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26. RELATED PARTY TRANSACTIONS (continued)

(a) Names and relationship with related parties are as follows: (continued)

Mengniu Dairy (Jiaozuo) Co., Ltd.*
蒙牛乳業(焦作)有限公司*

Mengniu Dairy (Tai Yuan) Co., Ltd.*
蒙牛乳業(太原)有限公司*

Mengniu Dairy (Qingyuan) Co., Ltd.*
蒙牛乳業(清遠)有限公司*

Mengniu Dairy (Beijing) Co., Ltd.*
蒙牛乳業(北京)有限責任公司*

Mengniu Dairy (Baoding) Co., Ltd.*
蒙牛乳業(保定)有限公司*

Baoding Mengniu Beverage Co., Ltd.*
保定蒙牛飲料有限公司*

Mengniu Dairy (Hengshui) Co., Ltd.*
蒙牛乳業(衡水)有限公司*

Mengniu Dairy (Tangshan) Co., Ltd.*
蒙牛乳業(唐山)有限責任公司*

Mengniu Dairy (Luannan) Co., Ltd.*
蒙牛乳業(瀋南)有限責任公司*

Mengniu Dairy (Jinhua) Co., Ltd.*
蒙牛乳業(金華)有限公司*

Mengniu Dairy (Shenyang) Co., Ltd.*
蒙牛乳業(瀋陽)有限責任公司*

Jinhua Mengniu Modern Dairy Products Co., Ltd.*
金華蒙牛當代乳製品有限公司*

Hubei Mengniu Dairy Products Sales Co., Ltd.*
湖北蒙牛乳業銷售有限公司

* These entities are subsidiaries of Mengniu Company (collectively referred to as "Mengniu Group").

26. 關連方交易(續)

(a) 以下為關連方名稱及與關連方的關係：(續)

A subsidiary of Mengniu Company
蒙牛公司的附屬公司

A subsidiary of Mengniu Company
蒙牛公司的附屬公司

A subsidiary of Mengniu Company
蒙牛公司的附屬公司

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蒙牛公司的附屬公司

A subsidiary of Mengniu Company
蒙牛公司的附屬公司

* 該等實體為蒙牛公司的附屬公司(統稱「蒙牛集團」)。

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簡明綜合財務報表附註

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26. RELATED PARTY TRANSACTIONS (continued)

(b) At the end of the reporting period, the Group had the following balances with related parties:

Amount due from

Mengniu Group

Trade receivable – raw milk
Within 120 days based
on invoice date

Trade receivable – liquid milk
Within 120 days based
on invoice date

蒙牛集團

應收貿易賬款－原料奶
按發票日計120天以內

應收貿易賬款－液態奶
按發票日計120天以內

26. 關連方交易(續)

(b) 於報告期末，本集團與關連方有下列結餘：

應收關連方款項

30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元 (unaudited) (未經審核)	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元 (audited) (經審核)
235,873	98,335
23,757	–

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For the six months ended 30 June 2017

截至二零一七年六月三十日止六個月

26. RELATED PARTY TRANSACTIONS (continued)

(c) During the current period, the Group entered into the following transactions with related parties:

Mengniu Group	蒙牛集團
Sales of raw milk	銷售原料奶
Sales of liquid milk	銷售液態奶

The sales prices were based on mutually agreed terms.

26. 關連方交易 (續)

(c) 於本期間，本集團與關連方訂立以下交易：

Six months ended 30 June

截至六月三十日止六個月

2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
1,534,675	1,123,999
22,602	–
1,557,277	1,123,999

買賣價格乃基於共同協定條款。

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截至二零一七年六月三十日止六個月

26. RELATED PARTY TRANSACTIONS (continued)

(d) Other Borrowings

During the current period, the Group entered into the following transactions with related parties:

	As at 1 January 2017 於二零一七年 一月一日	Raised during the period 於期內籌集	Payment during the period 於期內付款	As at 30 June 2017 於二零一七年 六月三十日	
Other borrowings from Mengniu Group	蒙牛集團其他借款	–	377,000,000	–	377,000,000

In May 2017, the Group entered into two entrusted loan agreements with Mengniu Group and Agricultural Bank of China (“ABC”), pursuant to which, Mengniu Group agreed to offer borrowing facilities of RMB1,500,000,000 to the Group through ABC. The borrowing facilities will mature in May 2020 and bear interest at rates determined based on the benchmark interest rate of People’s Bank of China. During the current period, the Group drew down borrowings of RMB377,000,000 under the agreements. The borrowings will mature within one year and bear interest at rates ranged from 3.96% to 4.00% per annum.

(e) Compensation of key management personnel

The emoluments of key management during the reporting period were as follows:

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Salaries and other benefits	薪酬及其他福利	4,480	3,631
Recognition of equity-settled share-based payment	確認按股權結算以股份支付的付款	27,190	4,776
Retirement benefits scheme contributions	退休福利計劃供款	96	90
		31,766	8,497

26. 關連方交易 (續)

(d) 其他借款

於本期間，本集團與關連方訂立以下交易：

	As at 1 January 2017 於二零一七年 一月一日	Raised during the period 於期內籌集	Payment during the period 於期內付款	As at 30 June 2017 於二零一七年 六月三十日	
Other borrowings from Mengniu Group	蒙牛集團其他借款	–	377,000,000	–	377,000,000

於二零一七年五月，本集團與蒙牛集團及中國農業銀行（「中國農業銀行」）訂立兩項委託貸款協議，據此，蒙牛集團同意透過中國農業銀行向本集團提供借款融資人民幣1,500,000,000元。該等借款融資將於二零二零年五月到期，按中國人民銀行的基準利率釐定的利率計息。於本期間，本集團根據該等協議已提取借款人民幣377,000,000元。該等借款將於一年內到期，並按年利率介乎3.96%至4.00%計息。

(e) 主要管理人員的薪酬

以下是主要管理人員於報告期間的薪酬：

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (unaudited) (未經審核)
Salaries and other benefits	薪酬及其他福利	4,480	3,631
Recognition of equity-settled share-based payment	確認按股權結算以股份支付的付款	27,190	4,776
Retirement benefits scheme contributions	退休福利計劃供款	96	90
		31,766	8,497

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截至二零一七年六月三十日止六個月

27. FAIR VALUE MEASUREMENTS

Fair value of the Group's biological assets, other financial assets and other financial liabilities that are measured on a recurring basis

The Group's biological assets, other financial assets and other financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value hierarchy

Assets/(liabilities) 資產/(負債)

Biological assets	生物資產
Modified Considerations	經修訂代價
Other financial liability – interest swap	其他金融負債—利率掉期
Other financial asset – foreign currency forward	其他金融資產—外匯期貨

27. 公平值計量

按經常性基準計量的本集團生物資產、其他金融資產及其他金融負債的公平值

本集團的生物資產、其他金融資產及其他金融負債於各報告期末按公平值計量。下表提供有關根據公平值計量的輸入數據的可觀察程度如何釐定該等資產及負債的公平值(特別是所使用的估值方法及輸入數據), 及公平值計量所劃分的公平值級別水平(第一至三級)的資料。

公平值級別

Fair value as at 30 June 2017 於二零一七年 六月三十日 的公平值 RMB'000 人民幣千元	Fair value as at 31 December 2016 於二零一六年 十二月三十一日 的公平值 RMB'000 人民幣千元	Fair value hierarchy 公平值 級別
7,606,009	7,602,959	level 3 第三級
–	(926,932)	level 2 第二級
–	(126)	level 2 第二級
–	11,236	level 2 第二級

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27. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used in the valuation models as at 30 June 2017:

27. 公平值計量(續)

公平值計量使用的估值方法

下表列示計量第三級公平值時所用的於二零一七年六月三十日估值方法，以及估值模型所用的重大不可觀察輸入數據：

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值計量之間的相互關係
Heifers and calves	The fair value of 14 months old heifers is determined by reference to the local market selling price.	Average local market selling prices of the heifers of 14 months old were estimated at RMB23,700 per head at 30 June 2017 (31 December 2016: RMB23,700).	An increase in the estimated local market selling price used would result in a smaller percentage increase in the fair value measurement of the heifers and calves, and vice versa.
小母牛及小牛	14個月年長小母牛公平值乃參考當地市價釐定。	於二零一七年六月三十日，14個月的小母牛的平均當地出售市價估計為每頭牛人民幣23,700元(二零一六年十二月三十一日：人民幣23,700元)。	所用估計當地出售市價增加將導致小母牛及小牛公平值計量百分比略為增加，反之亦然。

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27. FAIR VALUE MEASUREMENTS (continued)

27. 公平值計量(續)

Valuation techniques used in fair value measurements (continued)

公平值計量使用的估值方法(續)

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值計量之間的相互關係
	<p>The fair values of heifers and calves at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of each reporting period to 14 months plus the margins that would normally be required by a raiser. Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of each reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated average feeding costs per head plus margin that would normally be required by a raiser for heifers and calves younger than 14 months old are RMB14,989 at 30 June 2017 (31 December 2016: RMB16,151); average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB15,888 at 30 June 2016 (31 December 2016: RMB15,799).</p>	<p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in a much smaller percentage increase/decrease in the fair value measurement of the heifers and calves older/younger than 14 months old, and vice versa.</p>
	<p>在少於14個月的年歲組別的小母牛及小牛的公平值乃經減去將牛隻由其各自於報告期末的歲數培育至14個月所須的估計飼養成本，加培育商一般所須利潤而釐定。相反地，在多於14個月的年歲組別的小母牛的公平值乃經加上將小母牛由14個月培育至其各自於報告期末的歲數所須的估計飼養成本，加培育商一般所須利潤而釐定。</p>	<p>於二零一七年六月三十日，就少於14個月的小母牛及小牛而言，每頭牛估計平均飼養成本加培育商一般所須利潤為人民幣14,989元(二零一六年十二月三十一日：人民幣16,151元)；於二零一六年六月三十日，就多於14個月的小母牛而言，每頭牛平均估計飼養成本加培育商一般所須利潤為人民幣15,888元(二零一六年十二月三十一日：人民幣15,799元)。</p>	<p>所用估計飼養成本加培育商一般所須利潤增加將導致多於/少於14個月的小母牛及小牛公平值計量百分比略為增加/減少，反之亦然。</p>

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27. FAIR VALUE MEASUREMENTS (continued)

27. 公平值計量(續)

Valuation techniques used in fair value measurements (continued)

公平值計量使用的估值方法(續)

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值 計量之間的相互關係
Milkable cows	The fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	The estimated feed costs per kg of raw milk used in the valuation process are RMB1.92 for the six months ended 30 June 2017 (for the year ended 2016: RMB1.98), based on the historical average feed costs per kg of raw milk after taking into consideration of inflation.	An increase in the estimated feed costs per kg of raw milk used would result in a smaller percentage decrease in the fair value measurement of the milkable cows, and vice versa.
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield at each lactation cycle is ranged from 26.3 kg to 28.3 kg for the six months ended 30 June 2016 (for the year ended 2016: 24.5 kg to 26.5 kg), depending on the number of the lactation cycles and the individual physical condition.	An increase in the estimated daily milk yield per head used would result in a smaller percentage increase in the fair value measurement of the milkable cows, and vice versa.
奶牛	奶牛公平值透過使用多期超額收益法(基於將由有關奶牛產生的貼現未來現金流量)釐定。	截至二零一七年六月三十日止六個月, 估值過程中使用的每公斤原奶估計飼養成本為人民幣1.92元(截至二零一六年止年度: 人民幣1.98元), 乃基於每公斤原奶的歷史平均飼養成本並計及通貨膨脹釐定。	所用的每公斤原奶估計飼養成本增加可導致奶牛公平值計量的較小比例下降, 反之亦然。
		奶牛最多有六個哺乳期。截至二零一六年六月三十日止六個月, 各哺乳期的估計平均每日產奶量介乎26.3公斤至28.3公斤(截至二零一六年止年度: 24.5公斤至26.5公斤), 視哺乳期數目以及各自的身體狀況而定。	所用的估計每頭牛每日產奶量增加可導致奶牛公平值計量的較小比例提高, 反之亦然。

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27. FAIR VALUE MEASUREMENTS (continued)

27. 公平值計量(續)

Valuation techniques used in fair value measurements (continued)

公平值計量使用的估值方法(續)

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值 計量之間的相互關係
		Estimated local future market price for raw milk is RMB3.60 per kg at 30 June 2017 (31 December 2016: RMB4.03 per kg).	An increase in the estimated average selling price of raw milk used would result in a much higher percentage increase in the fair value measurement of the milkable cows, and vice versa.
		於二零一七年六月三十日，估計本地未來原奶市價為每公斤人民幣3.60元(二零一六年十二月三十一日：每公斤人民幣4.03元)。	所用的原奶估計平均售價增加可導致奶牛公平值計量的極大比例增加，反之亦然。
		Discount rate for estimated future cash flow used is 13.00% at 30 June 2017 (31 December 2016: 13.00%).	An increase in the estimated discount rate used would result in a slightly smaller percentage decrease in the fair value measurement of the milkable cows, and vice versa.
		於二零一七年六月三十日，所用估計未來現金流量的貼現率為13.00%(二零一六年十二月三十一日：13.00%)。	所用的估計貼現率增加可導致奶牛公平值計量的較小比例下降，反之亦然。

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27. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements of biological assets

Balance at 1 January 2017
Feeding cost
Decrease due to disposal
Loss arising from changes in fair value less costs of dairy cows
At 30 June 2017

27. 公平值計量(續)

生物資產第三級公平值計量的對賬

於二零一七年一月一日的結餘
飼養成本
因出售引致的減少
公平值變動減乳牛成本產生的虧損
於二零一七年六月三十日

Heifers,
calves and
milkable cows
小母牛、小牛
及奶牛
RMB'000
人民幣千元
(unaudited)
(未經審核)

7,602,959

730,917

(230,787)

(497,080)

7,606,009

28. EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

28. 報告期後事項

報告期後並無重大事項。



MODERN FARMING
现代牧业

China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

Stock Code 股份代號 : 1117