二零一四年度業績報告

2014 Annual Report

China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

Stock Code: 1117

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BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. YU Xubo (Chairman)
Mr. WOLHARDT Julian Juul
Mr. HUI Chi Kin, Max
Mr. WU Jingshui

Independent Non-Executive Directors

Mr. LI Shengli
Mr. LEE Kong Wai, Conway
Mr. KANG Yan
Mr. ZOU Fei

AUDIT COMMITTEE

Mr. LEE Kong Wai, Conway (Chairman)
Mr. HUI Chi Kin, Max
Mr. ZOU Fei

REMUNERATION COMMITTEE

Mr. LI Shengli (Chairman)
Mr. WOLHARDT Julian Juul
Mr. ZOU Fei

NOMINATION COMMITTEE

Mr. KANG Yan (Chairman)
Mr. LI Shengli
Mr. LEE Kong Wai, Conway

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. LI Shengli (Chairman)
Ms. GAO Lina
Mr. WOLHARDT Julian Juul
Mr. ZOU Fei

AUTHORISED REPRESENTATIVES

Ms. GAO Lina
Mr. WONG Kai Hing

COMPANY SECRETARY

Mr. WONG Kai Hing

HEADQUARTERS

Economic and Technological Development Zone
Maanshan City, Anhui Province,
PRC

REGISTERED OFFICE

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

HONG KONG OFFICE

Unit 2402, 24/F,
Alliance Building 130-136
Connaught Road Central Sheung Wan
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
Shops 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
Certified Public Accountants

PRINCIPAL BANKERS

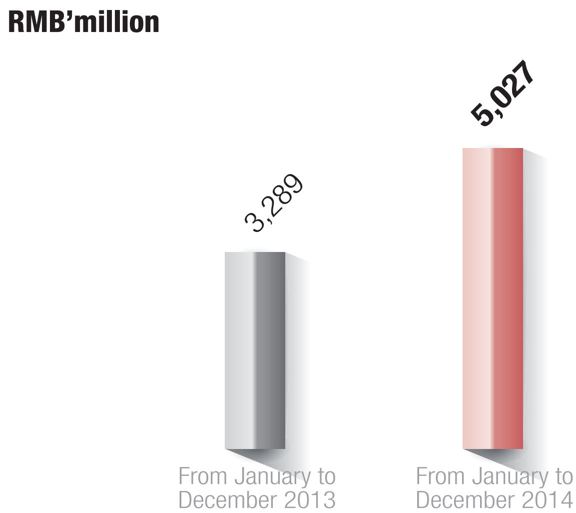
Agricultural Development Bank of China Maanshan Branch
China
Construction Bank Maanshan Branch
Bank of Communication Maanshan Branch
Citibank N.A. Hong Kong

STOCK CODE

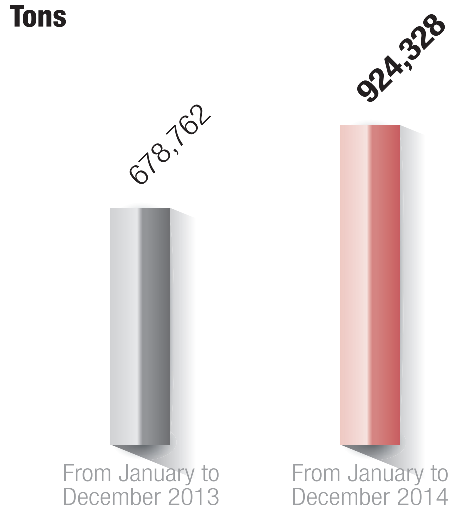
The Stock Exchange of Hong Kong Limited: 1117

WEBSITE

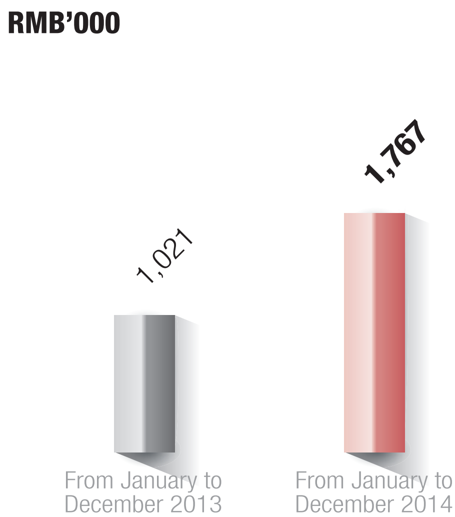
http://www.moderndairyir.com



SALES REVENUE



SALES VOLUME



CASH EBITDA

* It represents EBITDA before loss arising from changes in fair values less costs to sell of dairy cows, fair value loss from derivative financial liabilities, fair value gain from derivative financial assets, net loss on disposal of property, plant and equipment and impairment of property, plant and equipment.

RESULTS

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2013 RMB'000 *(unaudited)*	For the 6 months ended 31 December 2013 RMB'000 *(restated)*
Sales of milk produced	5,026,706	3,289,281	1,901,248
Earnings before interest and tax	1,035,965	725,948	462,637
Cash EBITDA*	1,767,432	1,021,157	612,944
Cash EBITDA margin	35.2%	31.0%	32.2%
Net profit	762,888	506,994	343,257

FINANCIAL POSITION

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Biological assets	6,530,814	5,954,363
Cash and cash equivalents	556,964	369,041
Total assets	14,210,853	12,493,821
Total borrowing (includes short-term debenture)	5,787,848	4,948,666
Gearing ratio (Total borrowing/ Total assets)	40.7%	39.6%

* It represents EBITDA before loss arising from changes in fair values less costs to sell of dairy cows, fair value loss from derivative financial liabilities, fair value gain from derivative financial assets, net loss on disposal of property, plant and equipment and impairment of property, plant and equipment.

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Modern Dairy Holdings Ltd. ("Modern Dairy" or the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual results of Modern Dairy for the year ended 31 December 2014 (the "year under review") to our shareholders (the "Shareholders").

BUSINESS REVIEW

During 2014, the Group's operating results reached a historical high. For the year ended 31 December 2014, the Group recorded a total sales amount of RMB5,027 million, representing an increase of 52.8% over the same period last year. For the year ended 31 December 2014, dairy farming business, which remains the backbone business of the Group, recorded a year-on-year growth of 41.3% and accounted for 83.4% of the total revenue of the Group. In terms of herd size, we are the largest dairy farming company as well as the largest raw milk producer in the PRC. During the year ended 31 December 2014, the Group had 24 farms self-operating and one farm under construction in the PRC with approximately 201,507 dairy cows in total; the Group had 2 joint ventured farms (one farm operating, one farm under construction) with 7,831 dairy cows in total. Our farms are situated across 8 provinces of the PRC in strategic geographical locations that are close to renowned downstream dairy product processing plants and adequate feed supply sources. Total sales volume of raw milk for the Group amounted to 931,334 tons for the year ended 31 December 2014. This represented an increase of 37.0% from 679,722 tons in 2013. For the year ended 31 December 2014, the total volume of raw milk purchase by Mengniu Group in the Group accounted for 72.7% of our total external sales volume of raw milk. Most of the raw milk purchased by Mengniu Group were used in the production of premium dairy products. Meanwhile, for the third-party downstream production and processing plants, our raw milk is also used for the production of their premium milk.

Despite overall weak consumer demand in the PRC dairy products retail market in 2014, the Group still recorded strong growth in self-owned branded products and has exceeded its goal of reaching sales of RMB600 million. For the year ended 31 December 2014, the sales amount of the Group's own brand of liquid milk amounted to RMB833 million, representing an increase of 159.1% over the same period last year. Our own brand of liquid milk accounted for 16.6% of the total revenue of the Group. For the year ended 31 December 2014, the raw milk used in the production of the Group's own brand of liquid milk, as a percentage of our total raw milk production, increased significantly from 4.4% in 2013 to 10.2%. The rapid growth of own brand of liquid milk has enriched the business portfolio and improved the flexibility of the Group on one hand, and has also enlarged profit and increased shareholder returns on the other hand.

As both of the sales income and operating profit margin increased, the Cash EBITDA increased by 73.1% from RMB1,021.2 million last year to RMB1,767.4 million for the year ended 31 December 2014. Cash EBITDA margin increased from 31.0% in the same period last year to 35.2% for the year ended 31 December 2014.

While domestic dairy farming industry is facing challenges as a result of industry restructuring, the Group as a pioneer in large-scale farming in the PRC has won recognition in domestic and overseas food industries as well as science and technology industries. At the meeting held by the International Institute for Quality Selections on 2 June 2014, the Company was awarded gold prize in the food category for 2014 by Monde Selection, the International Institute for Quality Selections. As an independent international organization jointly established by the European Community (EC) and the Ministry of Foreign Affairs and Trade of Belgium (比利時經貿部) in 1961, the International Institute for Quality Selections is currently one of the oldest, the most representative and the most authoritative food quality testing organization in the world. Its prizes are awarded for the purpose of monitoring food quality. The meeting awards prizes after conducting strict reviews and inspections of the safety, taste, packaging and raw materials of food products. This gold prize further proves that the Group's own branded milk has won recognition for its high quality in purity and freshness from authoritative persons across the world. On 22 October 2014, the Group won "Health Leader Award" in the 4th Awards for Outstanding Contribution in Food Safety and Public Health (中國食品健康七星獎), which demonstrated the recognition of the Group's product quality and overall capability. The Group will continue to aim to produce high quality milk and actively promote its brand value. On 9 January 2015, "Efficient Application of Cow Feeds and the Development and Application of Precise Feeding Technology" (奶牛飼料高效利用及精準飼養技術創建與應用), a collaborative research project jointly conducted by the Group and several institutions including China Agricultural University, won the Second Prize in the State Science and Technology Awards (國家科學技術進步二等獎), which is the only project relating to dairy industry that won the State Science and Technology Awards. Such full recognition of the Group by national authorities also has positive effect on the PRC dairy industry. On 25 January 2015, the Group was recognized as one of the Top 10 Innovative PRC Enterprises (中國經濟十大創新企業) at the China Economic Summit Forum 2014 & the 12th Annual Meeting of China Economic Characters, and our CEO Ms. GAO Lina was recognized as one of the Top 10 Business Leaders in China. The Group is the only enterprise which has received awards at the meeting in terms of both enterprise and individual, which indicates the recognition of the Group's business model and brings new drivers for the Group's future development.

PROSPECTS

Looking forward, with per capita consumption level continuously rising in the PRC, as well as increasing demand in the market, the demand for high-end quality raw milk in the PRC will maintain strong growth. The product mix within the industry will be further upgraded, with high-priced and high value-added products gradually attracting market attention. The government and media constantly promote standardized development of the dairy industry by strengthening the regulations and supervision. Since 1 January 2015, due to drought and other factors, the auction price of whole milk and skim milk powder of New Zealand have risen significantly. The drop in average price of domestic raw milk have stabilized recently. In the long run, the demand for high-end quality raw milk will exceed its supply. Therefore, it is expected that there is still room for an increase in prices of domestic raw milk in the long term.

As the largest dairy farming company as well as the largest raw milk producer in the PRC (in terms of herd size), the Group has been committed to providing quality customers with premium raw milk. In the future, the Group will actively seek opportunities for the development and construction of new dairy farms, and strive to improve the milk yield of our dairy cows in order to meet rising market demand. As the herd size and milk yield per cow both increased, we are confident that we will be able to achieve our target of producing one million tons of milk in 2015.

On the other hand, the Group will actively expand its downstream business and enlarge its market share in the PRC dairy products retail market. In the past few years, our own brand of UHT milk were highly recognized by consumers in the PRC, recording considerable growth in average annual sales. Currently, the sales network of our branded liquid milk has expanded to other cities from originally concentrating in northern China, eastern China, southern China and Shanxi. For the year ended 31 December 2014, the sales network of the Group has reached 28 provinces, 4 municipalities, 196 prefecture-level cities and 214 county-level cities across the country. We have more than 260,000 points of sales throughout China. With the continuous increase of the sales points, we believe that the market share and brand awareness of the Group's own branded liquid milk in the PRC dairy products retail market will be further enhanced.

In addition, leveraging on the high-end quality raw milk supplied from our upstream business, we are able to upgrade downstream products mix based on the demand of market and consumers and produce higher value-added products with high gross profit, such as pasteurized milk and chilled yoghurt. As pasteurized milk keeps the high nutrient composition of milk, good taste and other features, it has received more and more market attention in recent years, which its growth rate exceeds the development process of the whole dairy industry. However, with its short shelf life and strict requirement for cold chain transportation equipment, the raw milk must be sourced nearby. Currently, the pasteurized milk is primarily sold under urban and local brands, but without any national well-known brands. The inherent advantages of nationwide coverage of dairy farms of Modern Dairy enables the Group to become national branded manufacturer of pasteurized milk in China at present. In fact, the Group's pasteurized milk has successfully launched in over 30 large-scale supermarkets in Beijing at the end of December 2014. The Group's pasteurized milk series is named as "Two Hours", which means that the production is completed within two hours from milking to final products, so as to ensure the freshness and high nutrition of the products. We believe that the our expansion to pasteurized milk market will further enrich the product portfolio of the Group's liquid milk business, and will lay the foundation for the Group to build a dairy giant with integrated business model.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our gratitude to all our staff for their dedicated service and contribution over the years, and also express our gratitude deeply to our Shareholders, customers and business partners for their support and trust.

Going forward, the Group will continue to adhere to its principles of "creating the best dairy farms in China and producing the highest quality milk nationwide through harmonious development between man and nature". The Group will strictly comply with the quality assurance requirements of making product safety and quality its top priorities, while developing and implementing comprehensive modern scientific breeding and feeding know-how to improve milk yield and quality continuously, to further consolidate and strengthen our Group's market leader position in large-scale dairy farming industry. The Group will continue to expand our business by leveraging on the favourable trend of rapid economic growth and the rising market demand for dairy products in China to bring desirable returns to our Shareholders, customers and business partners.

GAO Lina
Chief Executive Officer

Hong Kong, 23 March 2015

INDUSTRY OVERVIEW

In general, 2014 is a challenging year for the PRC dairy industry. In this year, as milk prices in the overseas market declined significantly, and imported bulk milk powder and imported liquid milk products flooded into the PRC market, a large amount of imported milk powder was reconstituted into reconstituted milk, resulting in the phenomenon that "bad money drives out good", which disrupted the PRC dairy market. In addition, the domestic dairy enterprises went abroad to acquire or cooperated with overseas ranches, and substantial procurement demands were shifted to the overseas, which intensified the mismatch between the supply and demand of domestic dairy products. Within only one year, milk supply shortage was transformed into oversupply, triggering an enormous drop in pricing of the local raw milk in the PRC. Under the plight of continuous drop in milk price, a large number of dairy farmers withdrew from the market and they dumped milk and killed cows in some regions. To address this issue, the Ministry of Agriculture of the PRC issued "An Urgent Circular on Coordinating and Handling Difficulty in Selling Milk to Stabilize the Production of Dairy Industry" (《關於協調處理賣奶難穩定奶業生產的緊急通知》) on 7 January 2015, pursuant to which all levels of agro-pastoral departments under the leadership of local government shall in best effort manner take immediate action to adopt effective measures in facilitating and dealing with difficulties in selling milk to stabilize dairy production in order to protect the interests of dairy farmers and the long-term development of the industry. On the other hand, scale farms showed greater advantages due to its stability and security in the supply of raw milk. According to industry statistics, the breeding ratio of scale farms has exceeded 40%.

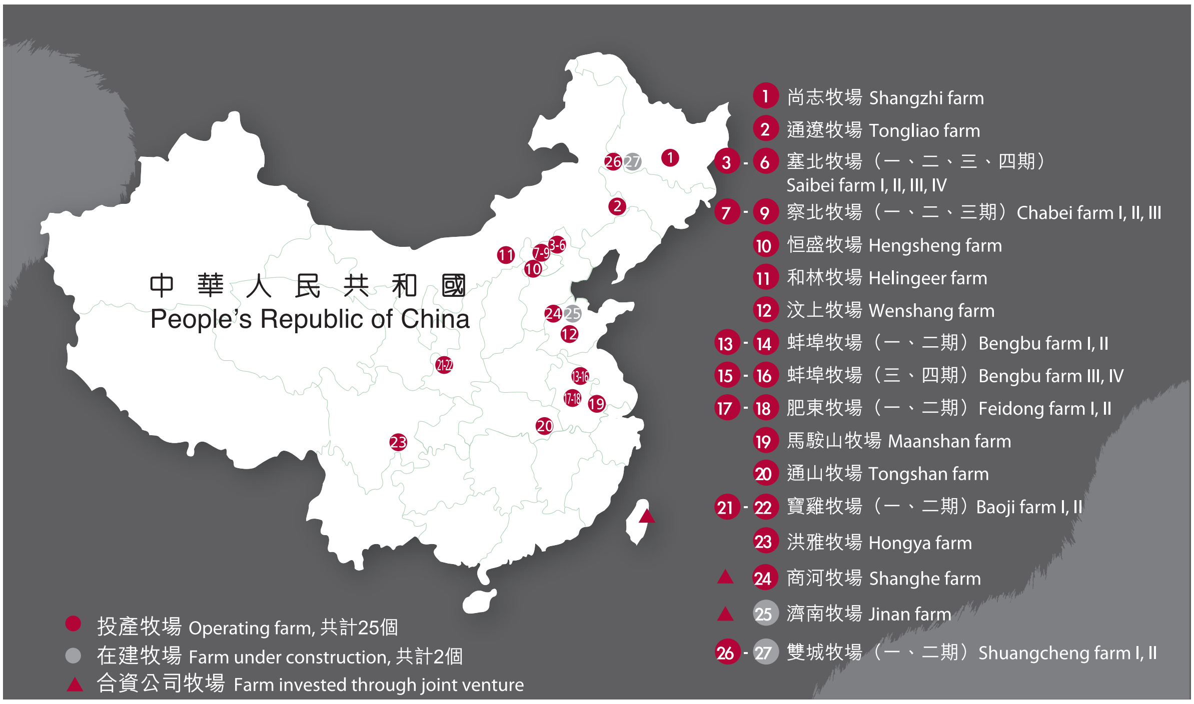
In the second half of 2014, the transformation and upgrading pressures faced by the domestic dairy industry increased sharply. Scale farms have become the focus of public attentions. We believe that scale farm is a scientific model and will be the trend in the future. The PRC government officially promulgated the "Poultry Farming Pollution Prevention Regulation" (《畜禽規模養殖污染防治條例》) on 1 January 2014 to drive the development of the poultry farming industry by promoting scientific planning layout and strengthening environmental-friendly facilities construction to achieve industrial optimization and advancement through environmental protection so as to provide powerful system support for the harmony and unity between the industrial development and environmental protection in the livestock and poultry industry. China Modern Dairy ranks top in the industry in term of environmental capital expenditure. The Company has invested an enormous amount of capital to construct feces treatment facilities when constructing ranches at early stages. Through technical means such as separation of dry and wet feces, biogas processing, cycling of cow dungs into cow beds and production of organic fertilizer, the facilities reduce, recycle and create innocuous feces. This enhances the leading position of the Company in the industry and lays a solid foundation for the future development in comply with national policies.

BUSINESS REVIEW

The Group is primarily engaged in two principal business segments, including: (i) dairy farming business, under which we mainly produce and sell raw milk to customers for processing into dairy products; and (ii) our own brand of liquid milk products business, under which we mainly produce and sell liquid milk products. During 2014, the Group's operating results reached a historical high due to increases in productivity and the increased demand for high-end dairy products in the PRC. For the year ended 31 December 2014, the Group recorded a total revenue of RMB5,027 million, representing an increase of 52.8% over the same period last year.

For the year ended 31 December 2014, dairy farming business, which remains the backbone business of the Group, recorded a year-on-year growth of 41.3% and accounted for 83.4% of the total revenue of the Group. In terms of herd size, we are the largest dairy farming company as well as the largest raw milk producer in the PRC. During the year ended 31 December 2014, the Group had 24 farms self-operating and one farm under construction in the PRC with approximately 201,507 dairy cows in total; the Group had 2 joint ventured farms (one farm operating, one farm under construction) with 7,831 dairy cows in total. Our farms are situated across 8 provinces of the PRC in strategic geographical locations that are close to renowned downstream dairy product processing plants and adequate feed supply sources. Total sales volume of raw milk for the Group amounted to 931,334 tons for the year ended 31 December 2014. This represented an increase of 37.0% from 679,722 tons in 2013. For the year ended 31 December 2014, the total volume of raw milk purchase by Mengniu Group in the Group accounted for 72.7% of our total external sales volume of raw milk. Most of the raw milk purchased by Mengniu Group were used in the production of premium dairy products. Meanwhile, for the third-party downstream production and processing plants, our raw milk is also used for the production of their premium milk.

Our farms



Our financial results are directly affected by our milk yield per cow. In general, as the milk yield per cow improves, the costs of production of a unit of milk decreases. Milk yield per cow is affected by a number of factors, including a cow's stage of lactation, breed, genetics and feed mix. We have achieved an average annual milk yield per cow of 8.9 tons for the year ended 31 December 2014. This represents an increase of 6.0% from 8.4 tons for the same period last year.

Despite overall weak consumer demand in the PRC dairy products retail market in 2014, the Group still recorded strong growth in liquid milk products business exceeded its goal of reaching sales of RMB600 million. For the year ended 31 December 2014, the sales amount of the Group's liquid milk products business amounted to RMB833 million, representing an increase of 159.1% over the same period last year. The liquid milk products business accounted for 16.6% of the total revenue of the Group. For the year ended 31 December 2014, the proportion of raw milk used in the production of the Group's liquid milk products business, as a percentage of our total raw milk production volume, increased significantly from 4.4% in 2013 to 10.2%. The rapid growth of own brand of liquid milk has enriched the business portfolio and improved the flexibility of the Group on one hand, and has also enlarged profit and increased shareholder returns on the other hand.

As both of the sales income and operating profit margin increased, the Cash EBITDA increased by 73.1% from RMB1,021.2 million last year to RMB1,767.4 million for the year ended 31 December 2014. Cash EBITDA margin increased from 31.0% in the same period last year to 35.2% for the year ended 31 December 2014.

In addition, the Group expects to relocate all dairy cows from Hubei Provincial Tongshan County Farm ("Tongshan Farm") by 26 November 2015. As at 31 December 2014, approximately 4,000 cows had been relocated to other farms of the Group, that means about half of the cows in Tongshan Farm had been relocated. The relocation is special in nature, but also reflects that our works in organic fertilizer promotion, site selection, local facilities standardization and internal management could be improved. The size of farm is not the essential factor. Instead, strict control procedures and systematic management are the most important factors. Firstly, we will improve the farm site selection by taking into account the surrounding forage planting and the slurry digestion capacity in the future. Secondly, we will pay more attention to the cow dung utilization and will make efforts to popularize knowledge on organic fertilizer among the surrounding farmers.

While domestic dairy farming industry is facing challenges as a result of industry restructuring, the Group as a pioneer in large-scale farming in the PRC has won recognition in domestic and overseas food industries as well as science and technology industries. At the meeting held by the International Institute for Quality Selections on 2 June 2014, the Company was awarded gold prize in the food category for 2014 by Monde Selection, the International Institute for Quality Selections. As an independent international organization jointly established by the European Community (EC) and the Ministry of Foreign Affairs and Trade of Belgium (比利時經貿部) in 1961, the International Institute for Quality Selections is currently one of the oldest, the most representative and the most authoritative food quality testing organization in the world. Its prizes are awarded for the purpose of monitoring food quality. The meeting awards prizes after conducting strict reviews and inspections of the safety, taste, packaging and raw materials of food products. This gold prize further proves that the Group's own branded milk has won recognition for its high quality in purity and freshness from authoritative persons across the world. On 22 October 2014, the Group won "Health Leader Award" in the 4th Awards for Outstanding Contribution in Food Safety and Public Health (中國食品健康七星獎), which demonstrated the recognition of the Group's product quality and overall capability. The Group will continue to aim to produce high quality milk and actively promote its brand value. On 9 January 2015, "Efficient Application of Cow Feeds and the Development and Application of Precise Feeding Technology" (奶牛飼料高效利用及精准飼養技術創建與應用), a collaborative research project jointly conducted by the Group and several institutions including China Agricultural University, won the Second Prize in the State Science and Technology Awards (國家科學技術進步二等獎), which is the only project relating to dairy industry that won the State Science and Technology Awards. Such full recognition of the Group by national authorities also has positive effect on the PRC dairy industry. On 25 January 2015, the Group was recognized as one of the Top 10 Innovative PRC Enterprises (中國經濟十大創新企業) at the China Economic Summit Forum 2014 & the 12th Annual Meeting of China Economic Characters, and our CEO Ms. GAO Lina was recognized as one of the Top 10 Business Leaders in China. The Group is the only enterprise which has received awards at the meeting in terms of both enterprise and individual, which indicates the recognition of the Group's business model and brings new drivers for the Group's future development.

FINANCIAL OVERVIEW

Herd size

	As at 31 December 2014 Head	As at 31 December 2013 Head
Dairy cows		
Milkable cows	107,578	98,791
Heifers and calves	93,929	88,047
Total dairy cows	201,507	186,838

As at 31 December 2014, 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 31 December 2014, the herd size is 201,507 compared to 186,838 as at 31 December 2013.

Milk Yield

Our financial results are directly affected by our milk yield per cow. In general, as milk yield per cow improves, the costs of production of a unit of milk decreases. Milk yield per cow is affected by a number of factors, including a cow's stage of lactation, breed, genetics and feed mix. We have achieved an average annual milk yield of 8.9 tons for the year ended 31 December 2014, representing an increase of 6.0% from 8.4 tons for the same period last year. Such results are attributable to effective herd management, genetic improvement of our cows through generations and increase in number of cows reaching the peak stage of lactation.

FINANCIAL OVERVIEW

Revenue

The following table sets out the breakdown of our consolidated revenue by our two operating segments for the year ended 31 December 2014, year ended 31 December 2013 and six months ended 31 December 2013:

	For the year ended 31 December 2014			For the year ended 31 December 2013 (unaudited)			For the six months ended 31 December 2013		
	External Sales	Internal Supplies	Subtotal	External Sales	Internal Supplies	Subtotal	External Sales	Internal Supplies	Subtotal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales of raw milk business	4,194,020	478,131	4,672,151	2,967,957	137,197	3,105,154	1,696,926	89,888	1,786,814
Sales of liquid milk products business	832,686	–	832,686	321,324	—	321,324	204,322	—	204,322
Consolidated turnover	5,026,706	478,131	5,504,837	3,289,281	137,197	3,426,478	1,901,248	89,888	1,991,136

Our revenue increased by 52.8% from RMB3,289.3 million for the year ended 31 December 2013 to RMB5,026.7 million for the year ended 31 December 2014 primarily due to significant increase in our sales of raw milk and liquid milk products.

- *Dairy farming business*

Revenue from our dairy farming business increased substantially primarily due to growth of our cow herd and increase in average selling price of our high-end quality raw milk.

The following table sets out the sales amount, sales volume and average selling price (ASP) per ton of our raw milk for the periods indicated:

	For the year ended 31 December 2014			For the year ended 31 December 2013 (unaudited)			For the six months ended 31 December 2013		
	Sales Amount	Sales Volume	ASP	Sales Amount	Sales Volume	ASP	Sales Amount	Sales Volume	ASP
	RMB'000	*Ton*	*RMB'000 Ton*	*RMB'000 (unaudited)*	*Ton*	*RMB'000 /Ton*	*RMB'000*	*Ton*	*RMB'000 /Ton*
Raw Milk									
External Sales	4,194,020	837,232	5,009	2,967,957	650,093	4,565	1,696,926	354,347	4,789
Internal Supplies	478,131	94,102	5,081	137,197	29,629	4,630	89,888	18,934	4,747
Subtotal	4,672,151	931,334	5,017	3,105,154	679,722	4,568	1,786,814	373,281	4,787

Revenue attributable to the internal use of raw milk increased substantially due to strong growth of our liquid milk business.

- *Liquid milk products business*

Revenue from our liquid milk products business increased by 159.2% from RMB321.3 million for the year ended 31 December 2013 to RMB832.7 million for the year ended 31 December 2014, which accounted for 16.6% and 9.8% of our consolidated revenue for the year ended 31 December 2014 and 2013, respectively.

The strong growth of our liquid milk products business was a result of strong market demand. The total volume of liquid milk sold increased by 203.8% from 28,669 tons for the year ended 31 December 2013 to 87,096 tons for the year ended 31 December 2014.

Cost of sales before biological fair value adjustment

Our cost of sales before biological fair value adjustment primarily consisted of dairy farming cost and liquid milk products cost. Costs of sales before biological fair value adjustment of dairy farming business include feeds cost, labor cost, utilities, depreciation and other costs of farms. Costs of sales of liquid milk products business include raw materials, labor cost, depreciation, utilities and other processing costs. The following table sets forth a breakdown of our cost of sales for our products for the year/period indicated:

COSTS OF SALES BEFORE BIOLOGICAL FAIR VALUE ADJUSTMENT OF DAIRY FARMING BUSINESS

	For the year ended 31 December 2014		For the year ended 31 December 2013 (unaudited)		For the six months ended 31 December 2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Costs of sales before biological fair value adjustment of dairy farming business:						
Feeds cost	2,298,893	78.2%	1,733,519	78.6%	967,705	79.2%
Labor cost	151,007	5.1%	107,705	4.9%	58,542	4.8%
Utilities	70,095	2.4%	59,252	2.7%	31,176	2.5%
Depreciation	169,806	5.8%	117,354	5.3%	64,126	5.2%
Other costs of farms	249,075	8.5%	188,815	8.6%	101,112	8.3%
Subtotal of costs of sales before biological fair value adjustment of dairy farming business	2,938,876	100.0%	2,206,645	100.0%	1,222,661	100.0%
Inter-segment cost	(473,530)		(137,197)		(89,888)	
Costs of sales before biological fair value adjustment of dairy farming business external, net	2,465,346		2,069,448		1,132,773	

With the expansion of our herd size and the increase in sales of raw milk, total feed costs (before eliminating the internal relative costs of sales of the supply of raw milk) for the year ended 31 December 2014 increased to RMB2,298.9 million from RMB1,733.5 million last year, representing an increase of 32.6%. Sales of raw milk (before eliminating the internal relative sales income from the supply of raw milk) increased by 50.5% to RMB4,672.2 million for the year ended 31 December 2014 from RMB3,105.2 million last year.

Meanwhile, cost (excluding depreciation) per ton of raw milk sold (before eliminating the internal relative costs of sales of the supply of raw milk) decreased by 3.3% from RMB3,074 last year to RMB2,973 for the year ended 31 December 2014, mainly due to the increase in the annual milk yield per cow by 6.0% from 8.4 tons last year to 8.9 tons for the year ended 31 December 2014.

Costs of sales of liquid milk products business

	For the year ended 31 December 2014		For the year ended 31 December 2013 (unaudited)		For the six months ended 31 December 2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	617,050	88.7%	188,804	80.5%	122,142	82.8%
Labor cost	20,252	2.9%	12,419	5.3%	7,026	4.8%
Depreciation	24,772	3.6%	19,586	8.3%	9,984	6.8%
Utilities	13,127	1.9%	5,974	2.5%	3,716	2.5%
Other processing costs	20,798	2.9%	7,791	3.4%	4,701	3.1%
	695,999	100.0%	234,574	100.0%	147,569	100.0%

With the increase in sales volume of liquid milk and the price hike of raw milk, raw material cost for the year ended 31 December 2014 increased from RMB188.8 million last year to RMB617.1 million, representing an increase of 226.8%. Sales of liquid milk increased by 159.2% to RMB832.7 million for the year ended 31 December 2014 from RMB321.3 million last year.

Due to the price hike of raw milk, cash cost (excluding depreciation) per ton of liquid milk sold increased by 2.8% from RMB7,499 for the same period last year to RMB7,707 for the year ended 31 December 2014.

Gross profit and gross margin

The following table sets forth the breakdown of our gross profit before biological fair value adjustment by our two operating segments as well as their respective gross margin before biological fair value adjustment, for the years/period indicated:

	For the year ended 31 December 2014		For the year ended 31 December 2013 (unaudited)		For the six months ended 31 December 2013	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000		*RMB'000*		*RMB'000*	
Dairy farming business						
Before elimination	1,733,275	37.1%	898,509	28.9%	564,153	31.6%
After elimination	1,728,674	41.2%	898,509	30.3%	564,153	33.2%
Liquid milk products business	136,687	16.4%	86,750	27.0%	56,753	27.8%

- *Dairy farming business*

  Gross profit of our daily farming business before biological fair value adjustment (before eliminating the internal relative costs of sales of the supply of raw milk) increased by 92.9% from RMB898.5 million for the year ended 31 December 2013 to RMB1,733.3 million for the year ended 31 December 2014. The increase was primarily due to the substantial increase in the sales volume and the average selling price of our raw milk.

  Gross margin of our dairy farming business before biological fair value adjustment (before eliminating the internal relative costs of sales of the supply of raw milk) remained at a high level at 37.1% for the year ended 31 December 2014 compared to 28.9% for the year ended 31 December 2013, primarily due to increase of average selling price of raw milk and milk yield per cow.

- *Liquid milk products business*

  Gross profit of our liquid milk products business increased by 57.6% from RMB86.8 million for the year ended 31 December 2013 to RMB136.7 million for the year ended 31 December 2014. The increase was primarily due to the increase in sales volume of our branded milk products.

  Gross margin of our liquid milk products business decreased from 27.0% for the year ended 31 December 2013 to 16.4% for the year ended 31 December 2014, mainly due to the increase of market price of raw milk and greater promotion efforts in order to expand market share.

Loss arising from changes in fair value less costs to sell of dairy cows

As at 31 December 2014, the biological assets of the Group were valued at RMB6,530.8 million (31 December 2013: RMB5,954.4 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal And Advisory Limited (the "JLL"). Loss arising from changes in the fair value of biological assets was RMB329.1 million for the year ended 31 December 2014 (for year ended 31 December 2013: loss arising from changes in fair value less costs to sell of dairy cows was RMB82.8 million). This was mainly attributable to the fact that after milk production by milkable cows along with an extended lactation period, impairment will occur as cash flow generated in the future will be reduced.

Qualification and independence of the valuer

JLL is an independent professional qualified valuer appointed by the Company to perform the valuation on the fair market value of the biological assets. JLL has an experienced team consists of professional valuer and agricultural experts, and has served as the independent valuer in relation to biological assets for listed companies on the Stock Exchange.

The valuation results were prepared by Mr. Simon MK Chan of JLL. Mr. Simon MK Chan is a fellow member of Hong Kong Institute of Certified Public Accountants and Certified Public Accountants of Australia, a Chartered Surveyor of the Royal Institution of Chartered Surveyors, a Certified Valuation Analyst, a member of The International Association of Consultants, Valuers and Analysts, a member of Canadian Institute of Mining, Metallurgy and Petroleum, and a member of The Australasian Institute of Mining and Metallurgy. He holds a bachelor's degree in accountancy and finance.

JLL is an independent firm providing a full range of valuation and advisory services. The valuation results have been prepared independently. Neither JLL or any personnel preparing the valuation results hold any interest in the Company or its related parties. The fee for providing the valuation service is based on JLL's normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusion drawn in the valuation results.

Other Income

For the year ended 31 December 2014, other income amounted to RMB40.2 million (for year ended 31 December 2013: RMB69.5 million). Other income mainly consisted of government grants and interest income, among others, interest income for the year ended 31 December 2014 amounted to RMB22.1 million (for year ended 31 December 2013: RMB14.7 million), and government grants for the year ended 31 December 2014 amounted to RMB14.0 million (for year ended 31 December 2013: RMB50.4 million). Government grants mainly consisted of subsidies for agricultural projects.

Operating expenses

	For the year ended 31 December 2014 *RMB'000*	For the year ended 31 December 2013 *RMB'000* *(unaudited)*	For the six months ended 31 December 2013 *RMB'000*
Selling and distribution cost	111,909	56,845	33,595
Administrative expenses	214,561	151,820	84,678
Total operating expenses	326,470	208,665	118,273

Our operating expenses increased from RMB208.7 million for the year ended 31 December 2013 to RMB326.5 million for the year ended 31 December 2014. Selling and distribution cost mainly consisted of transportation costs from sales of milk, salaries of sales personnel and daily expenses, among others, transportation costs was increased from RMB48.0 million in the corresponding year to RMB99.3 million for the year ended 31 December 2014, mainly due to increase in sales volume of raw milk and liquid milk products.

Administrative expenses mainly consisted of salaries of management (including equity-based share option expenses) and depreciation of office building, staff quarters and equipments, etc., the increase of which for the year is mainly due to the recognition of share option expenses.

Equity-based share option expenses included in the administrative expenses for the year increased from RMB6.2 million for same period last year to RMB31.9 million for the year ended 31 December 2014, mainly due to the granting of 80 million options to employees pursuant to the employee share option incentive scheme on 6 June 2014.

Other Gains and Losses

Losses arising from other gains and losses amounted to RMB209.6 million (for the year ended 31 December 2013: losses arising from other gains and losses amounted to RMB33.9 million). This is mainly due to a loss of RMB105.5 million (for the year ended 31 December 2013: loss of RMB37.6 million) arising from net effect of fair value measurement of the put options and call options at year end. Those two types options were the put options granted to Success Dairy II Limited by the Company and the call options granted to the Company by the Success Dairy II Limited pursuant to the agreement entered into between the Company and Success Dairy II Limited for the establishment of two joint venture companies on 23 September 2013.

In addition, as the Company expects to relocate all cows from Tongshan Farm during this year, a one-off impairment of RMB42.6 million on property, plant and equipment has been included for the current financial year in order to fully reflect the principle of prudence. The specific usage of the farm will be discussed after the relocation.

Finance costs

Finance costs increased from RMB208.4 million last year to RMB265.6 million for the year ended 31 December 2014. This was mainly attributable to the increase in bank loans and interest expense no longer being capitalised following the transfer of construction in progress to property, plant and equipment.

Profit attributable to owners of the Company

Taking into account all of the above factors, the Group's profit attributable to the owners of the Company was RMB735.3 million for the year ended 31 December 2014. This represents an increase of 52.9% from RMB481.1 million for the same period last year.

Basic earnings per share were approximately RMB15.23 cents (for year ended 31 December 2013: RMB9.99 cents).

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2014, the Group's net cash generated from operating activities amounted to RMB1,580.0 million, as compared to RMB584.2 million for the same period last year.

As at 31 December 2014, the Group's available and un-utilised banking facilities amounted to approximately RMB8,089.6 million (including credit facilities that will expire after 31 December 2015 of RMB2,271.6 million). The Group's management are of the opinion that the working capital available to the Group is sufficient for its present needs.

The table below sets forth our short-term and long-term borrowings as at 31 December 2014.

	As at	
	31 December 2014 *RMB'000* *(Audited)*	**31 December 2013** *RMB'000* *(Audited)*
Bank borrowings	4,687,848	3,748,666
Unsecured borrowings	885,818	1,533,139
Secured borrowings	3,335,030	1,964,527
Guaranteed borrowings	467,000	251,000
	4,687,848	3,748,666
Carrying amount repayable:		
Within one year	1,858,398	1,788,799
Between one to two years	792,538	1,042,337
Between two to five years	2,036,912	917,530
	4,687,848	3,748,666
Less: Amounts due within one year shown under current liabilities	(1,858,398)	(1,788,799)
	2,829,450	1,959,867

As at 31 December 2014, the gearing ratio, being the ratio of total borrowings (including short-term debenture) to total assets was 40.7% (31 December 2013: 39.6%). The annual interest rate of the banks and other borrowings for the year ended 31 December 2014 varied from 1.73% to 7.05% (for the year ended 31 December 2013: 2.0%-7.05%). As at 31 December 2014, all borrowings were denominated in Renminbi and United States Dollar ("USD").

PLEDGE OF ASSETS

As at 31 December 2014, land use rights, buildings and equipment, and biological assets with carrying value of RMB9.9 million (31 December 2013: RMB10.2 million), RMB54.6 million (31 December 2013: RMB59.2 million) and RMB3,316.2 million (31 December 2013: RMB4,087.5 million), respectively, were pledged as security for bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2014, the Group has capital commitments of RMB205.4 million relating to the acquisition of property, plant and equipment and capital contribution to a joint ventures.

The Group did not have any significant contingent liabilities as at 31 December 2014.

FINANCIAL MANAGEMENT POLICIES

The Group continues to closely manage financial risks to safeguard the interests of Shareholders. The Group applies its cash flows generated from operation and bank loans to its operational and investment needs.

The Group's management consider 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 5,417 employees (31 December 2013: 5,288) in the PRC and Hong Kong as at 31 December 2014. Total staff costs for the year ended 31 December 2014 (including staff compensation capitalised to biological assets) were approximately RMB360.8 million (for the year ended 31 December 2013: RMB303.7 million).

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.

DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.01 (2013: Nil) per ordinary share for the year ended 31 December 2014. Upon shareholders' approval at the forthcoming AGM, the proposed final dividend will be paid on or about Friday, 26 June 2015 to shareholders whose names appear on the register of members of the Company on Tuesday, 16 June 2015.

BUSINESS STRATEGIES

Continue to enhance the sales of branded liquid milk

We will continue to expand our sales regions and widen the sales channels of our branded liquid milk, which in turn will increase the Group's profitability as a whole. The Company has gradually expanded the sales of branded liquid milk into most parts of China in 2014. As more customers recognize its product quality and our sales network is further expanded, the Company believes it will record even higher revenue in the future. We actively promote our sales of pasteurized milk. Currently our distribution channels in Beijing have expanded from home delivery to shopping departments and supermarkets and have generated desirable performance as expected. In the near future we will further expand our sales region by gradually expanding into northern China, eastern China and southern China.

Improve our pure-bred yield and raw milk quality by continuing to adopt modern and scientific breeding and feeding techniques

We have been improving our operations since the commencement of business, and this has resulted in rising average annual milk yield. Currently, our average annual milk yield per milkable cow is among the highest among all dairy companies in the PRC. We believe that the yield and raw milk quality of our milkable cows will continue to rise as we improve the genetic mix of our herd across generations, increase the ratio of milkable cows to non-milkable cows among our herd and optimize the mix of feed.

Continue to enhance feed nutrients and optimize the mix of feed by continuing the research on feed mix

We will continue to work closely with local farmers and agricultural institutes to conduct research and grow plants and crops that are suitable for our dairy cows. In addition, based on the location of our farms, we will collaborate with local farmers in specific regions to establish a tailor-made feed supply chain with an aim to reduce the cost of transporting feed while maintaining the quality, nutritional content and stable supply of feed.

Refine our herd mix

Our refined management improve as the size of our herd mix grows. Starting from this year, we will gradually establish our own core herd and strive to improve the profitability per cow.

EXECUTIVE DIRECTORS

Ms. GAO Lina (高麗娜), aged 58, is an executive Director, Chief Executive Officer and Deputy Chairman of the Company. Ms. Gao is one of the founders of our Group and is currently a director of Modern Farming (Group) Co., Ltd ("Modern Farm") and 3 other subsidiaries of the Company. Ms. Gao has significant experience in cross-border trading, resource integration and administrative management. Prior to joining the Group in August 2005, Ms. Gao was the general manager of Taian Foreign General Trade Corporation (泰安市外貿總公司) between October 1993 to June 2005. Ms. Gao was the director general of Tai'an Municipal Trade Promotion Bureau (泰安市招商局) between October 2003 and June 2005. Ms. Gao developed her experience in managing dairy farms since joining our Group and she was appointed as an executive Director of the Company on 14 November 2008.

She was awarded "Tai'an City Excellent Entrepreneur in Reforming and Enterprising Endeavours" in 2004. Ms. Gao was awarded the "Scientific and Technological Progress Award (Class 1 of Promotion Category) (科學技術進步獎推廣類一等獎)" by the Ministry of Education of the PRC (中國教育部) in January 2013, and Ms. Gao was granted the honour of Top 10 Business Leaders in the PRC Economy at the 2014 China Economic Summit Forum & The 12th Annual Meeting of China Economic Characters (2014年中國經濟高峰論壇暨第十二屆中國經濟人物年會). Ms. Gao completed an undergraduate course at Tai'an Municipal CPC Party School (中共泰安市委黨校) majoring in economic management in December 1999. Ms. Gao holds approximately 49.12% of the interests in Jinmu Holdings Co Ltd. ("Jinmu").

Mr. HAN Chunlin (韓春林), aged 42, is an executive Director and the Chief Operating Officer of the Company. Mr. Han is also a director of Modern Farm and Helingeer Modern Farming Co., Ltd. ("Helingeer Modern Farm"). Mr. Han has more than 15 years of experience in food and beverage industry in China. Prior to joining the Group in September 2008 and his appointment as an executive Director of the Company on 14 November 2008, Mr. Han worked as the marketing vice general manager of Nowara Shinnosuke (Fujian) Food Industry Company from February 2006 to July 2008. From January 1999 to September 2004, he served at the Liquid Milk Department of Inner Mongolia Mengniu Dairy (Group) Co., Ltd ("Mengniu (Inner Mongolia)") as marketing manager. Prior to that, Mr. Han was a branch-plant manager at the Milk Powder Department of Inner Mongolia Yili Industrial Group Company Limited from July 1994 to January 1999. Mr. Han received a bachelor's degree in biology from Inner Mongolia University in July 1994.

Mr. Sun Yugang (孫玉剛), aged 34, is an executive Director and the Chief Financial Officer of the Company. Mr. Sun is also a supervisor of 14 other subsidiaries of the Company, a director of Modern Farm and 3 of other subsidiaries. Prior to joining the Company in March 2007, Mr. Sun was a manager of the Finance and Investment Department of Inner Mongolia Mengniu Milk Industry (Group) Co., Ltd. from May 2002 to March 2007. Mr. Sun graduated from Inner Mongolia Finance and Economics College in December 2003.

NON-EXECUTIVE DIRECTORS

Mr. Yu Xubo (于旭波), aged 49, is a non-executive Director and Chairman of the Company. He was appointed as the Chairman of the Company with effect from 28 June 2013. Mr. Yu is currently the president of COFCO Corporation ("COFCO"), a managing director of COFCO (Hong Kong) Limited and a director of certain other subsidiaries of COFCO Corporation. Mr. Yu is a non-executive director and the chairman of China Agri-Industries Holdings Limited (stock code: 606) and a non-executive director and the chairman of China Foods Limited (stock code: 506), both companies are listed in Hong Kong. Mr. Yu also serves as a non-executive director and vice-chairman of China Mengniu Dairy Company Limited ("Mengniu") (stock code: 2319), a company listed in Hong Kong and a substantial shareholder of the Company. Mr. Yu holds a Bachelor's degree in Economics from the University of International Business and Economics in Beijing and an Executive Master of Business Administration degree from China Europe International Business School.

Mr. WOLHARDT Julian Juul, aged 41, is a non-executive Director of the Company and a director of Modern Farm. Mr. Wolhardt was the Chairman of the Company from 17 September 2012 to 28 June 2013. Mr. Wolhardt is currently a partner of KKR Asia Limited focusing on private equity transactions in the Greater China region. He has been actively involved in advising on investments in Yageo Corporation, a company listed on the Taiwan Stock Exchange (stock code: 2327), Tianrui Group Cement Company Limited and International Far Eastern Leasing Company Limited since he joined KKR Asia Limited in 2006. Before joining KKR Asia Limited, Mr. Wolhardt was with Morgan Stanley Private Equity from 1998 to 2006 and was responsible for its private equity business in China. While at Morgan Stanley Private Equity, Mr. Wolhardt advised on investments in a number of highly successful companies in China, several of which, such as China Dongxiang (Group) Company Limited (stock code: 3818), Hengan International Group Company Limited (stock code: 1044), Mengniu, China Shanshui Cement Group Limited (stock code: 691) and Ping An Insurance (Group) Company of China, Limited (stock code: 2318), have been listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Mengniu and a non-executive director of Novo Holdco Limited. He is independent non-executive director of China Cord Blood Corporation, a company listed on New York Stock Exchange (Stock code: CO). Mr. Wolhardt is a Certified Public Accountant and Certified Management Accountant. He received a bachelor's degree in accounting from the University of Illinois (Urbana-Champaign) in 1995. He joined our Group in July 2008 and was appointed as a non-executive Director of the Company on 30 July 2008, and has been involved in the corporate development and strategic planning of our Group.

Mr. HUI Chi Kin Max (許志堅), aged 41, is a non-executive Director of the Company and a director of Modern Farm. Mr. Hui is currently the Chief Executive Officer and a managing director of CDH Investment Advisory Private Limited. From 1999 to 2003, he worked with the private equity division of Morgan Stanley Asia Limited in Hong Kong and the investment banking department of Schroders & Co in New York. Prior to working in the financial industry, Mr. Hui was an engineer at the oil and gas pipeline division of Bechtel Corporation in San Francisco from 1997 to 1998. Mr. Hui graduated from the University of California, Berkeley in 1996 with a bachelor's degree in chemical engineering and received a master's degree of engineering from Princeton University in 1999. He joined our Group in February 2009 and was appointed as a non-executive Director of the Company on 23 February 2009, and has been involved in the corporate development and strategic planning of our Group.

Mr. WU Jingshui (吳景水), aged 48, is a non-executive Director of the Company. Mr. Wu served as executive director of Mengniu, from March 2010 to March 2014, and also served as Chief Financial Officer of Mengniu from March 2010 to August 2013. Mr. Wu was appointed Vice President (in charge of financial issues from April 2008 to May 2014) of Mengniu (Inner Mongolia) in April 2008, and before that served as the Financial General Manager of the liquid milk division and the Chief Financial Officer of Mengniu (Inner Mongolia). In 2010, Mr. Wu was honoured as a "Labour Model (Progressive Staff) of Hohhot." Mr. Wu is currently a non-executive director of Yashili International Holdings Ltd. (stock code: 1230) and China Shengmu Organic Milk Limited (stock code: 1432), companies listed on the Main Board of Stock Exchange. Mr. Wu graduated from Inner Mongolia Light Industry Institute majoring in industrial enterprise financial accounting. Mr. Wu also holds a Master's degree from Inner Mongolia Agricultural University and a Master of Business Administration degree from China Europe International Business School. He also holds a PRC senior accountant qualification and has extensive experience in financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Shengli (李勝利), aged 49, is an independent non-executive Director of the Company. Mr. Li graduated from Shihezi Agricultural College (石河子農學院) with a bachelor's degree in animal husbandry and veterinary science in July 1987. He then obtained his doctorate degree in animal nutrition science from China Agricultural University in July 1996. Since 2003, Mr. Li has been with China Agricultural University, working at various times as an assistant professor and professor. Mr. Li is currently vice-director (Animal Nutrition) of the State Key Laboratories, Director of the council of the directors' association of the Sino-US Dairy Research Center, Director of the Sino-Dutch Dairy Development Center, chief scientist in national dairy products industry technology system (國家奶牛產業技術體系), an advisor to the China School Milk Programme (國家學生飲用奶計劃) and a specialist in the Cattle and Poultry Research Centre of Beijing Sanyuan Breeding Technology Co,. Ltd. (北京三元種業科技股份有限公司畜牧研究院). Mr. Li is a member of the Eighth Committee of the Technology Committee of the Ministry of Agriculture (第8屆農業部科技委員會) and an advisor to the Beijing Municipal Government in the development of agricultural sciences and technologies and the Working Committee of National Dairy Herd Improvement Programme (DHI) (全國奶牛生產性能測定工作委員會) of the Dairy Association of China (中國奶業協會)) and the chairman of China Institute of Animal Husbandry and Veterinary Cattle Chapter (中國畜牧獸醫學會養牛分會). In 2007, Mr. Li obtained a patent on Rubeili (乳倍利), a type of high-energy and high-protein supplementary feed for dairy cows. Mr. Li was awarded the Second Prize and a Prize of the Beijing Science and Technology Award (北京市科學技術獎) in 2000 and 2007 respectively, and was recognized by the Beijing Municipal Government as "Top 10 Scientists with Contribution to the Economic Development in Rural Villages of Beijing" (對北京農村經濟發展作出貢獻的「十佳」科學家) in 2009 and received the first prize for advancement in science and technology awarded by the Education Department（教育部科技進步一等獎）in 2012 and the first prize for Chinese Agricultural Science awarded by the Ministry of Agriculture（農業部中華農業科技獎一等獎）in 2013 and the second prize of National Scientific and Technological Progress Award (國家科技進步二等獎) in 2014. Mr. Li was appointed as an independent director of Modern Farm in October 2006 and resigned in June 2009. He has been appointed as an independent director of Xinjiang Western Animal Husbandry Co., Ltd. (新疆西部牧業股份有限公司) a company listed on China Venture Exchange (stock code: 300106) since July 2009.

Mr. LEE Kong Wai Conway (李港衛), aged 60, is an independent non-executive Director of the Company. Mr. Lee graduated from Kingston University (formerly known as Kingston Polytechnic) in London with a bachelor's degree in business studies in July 1980 and further obtained his post graduate diploma in business at Curtin University of Technology in Australia in February 1988. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young and held key leadership positions in the development of his firm in China. Mr. Lee is currently an independent non-executive director of West China Cement Limited (stock code: 2233), Chaowei Power Holdings Limited (stock code: 951), GOME Electrical Appliances Holding Limited (stock code: 493), Tibet 5100 Water Resources Holdings Ltd (stock code: 1115), NVC Lighting Holding Limited (stock code: 2222), Yashili International Holdings Limited (stock code: 1230), GSL New Energy Holdings Limited (stock code: 451), WH Group Limited (stock code: 288), China Rundong Auto Group Limited (stock code: 1365). companies listed on the Main Board of the Stock Exchange, and CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030) and Shanghai Stock Exchange (stock code: 600030). Mr. Lee is currently a non-executive Director and the Deputy Chairman of Merry Garden Holdings Limited, a company listed on the Stock Exchange (stock code: 1237). Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institutes of Chartered Accountants in Australia and New Zealand, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Certified Practising Accountants. Since 2008, Mr. Lee has been a member of Chinese People's Political Consultative Conference of Hunan Province.

Mr. Kang Yan (康龑), aged 39, is an independent non-executive Director of the Company. Mr. Kang graduated from the Renmin University of China in 1998. Mr. Kang is a qualified practicing attorney in China and is currently a partner of Haiwen & Partners. He joined Beijing Commerce & Finance Law Offices in 2002 and was promoted to a partner in 2008. Mr. Kang has over 10 years of experience in legal corporate advisory on mergers and acquisitions and initial public offerings.

Mr. ZOU Fei (鄒飛), aged 41, is an independent non-executive Director of the Company. Mr. Zou previously served in various positions such as a fund manager of American Century Investments, a managing director of special investment department of China Investment Corporation, the chairman of the board of Chinese Finance Association of America and the board observer of Noble Group in Singapore. He is currently serving in positions such as the president of Synergy Capital and independent director of Delta Dunia Makmur TBK PT in Indonesia, senior consultant of Louis Dreyfus Commodities in France. Mr. Zou is currently an independent non-executive director of BYD Company Limited (a company listed on the Stock Exchange (stock code: 1211) and the Shenzhen Stock Exchange (stock code: 002594). Mr. Zou holds a master's degree in economics and a doctor's degree in finance from University of Texas of the United States of America. He is also a chartered financial analyst, a member of Chinese Finance Association of America and one of the experts listed in "Thousand Talents Program" launched by the PRC.

SENIOR MANAGEMENT

Mr. Hai Tu (海濤), aged 45, is the assistant to the Chief Executive Officer of the Group. Mr. Hai joined the Group in October 2008 and has since been responsible for the planning and management of the farm. Prior to joining the Group, Mr. Hai worked as a deputy general manager for Shenzhen True Color Industrial Co., Ltd. (深圳色彩實業有限公司) from August 2001 to September 2008. Prior to that, Mr. Hai was the customer representative for the Beijing region of Shanghai Sangon Biological Engineering Technology & Services Company (上海生工生物工程技術服務公司) between September 1998 and June 2001. Mr. Hai served as a member of the Epidemic Division of the Daxing Anling Hygiene and Prevention Quarantine of Disease from August 1994 to May 1998. Mr. Hai graduated from Inner Mongolia University in July 1994, majoring in biology.

Mr. WANG Chun Jiang (王春江), aged 32, is the assistant to Chief Executive Officer of the Group. Mr. Wang joined the Group in May 2009 and has since been responsible for cattle breeding. Prior to joining the Group, Mr. Wang worked for Inner Mongolia Mengniu AustAsian Model Dairy Farm Co., Ltd. from August 2004 to May 2009, and has served as head of farms since March 2008. Mr. Wang graduated from Inner Mongolia Agricultural University in July 2004, and has graduated with a postgraduate course for student under employment at Inner Mongolia Agricultural University in December 2013.

Our Directors and management are committed to upholding a high standard of corporate governance to safeguard the interests of Shareholders and the Company as a whole.

CORPORATE GOVERNANCE PRACTICES

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 Listing Rules. The Company has, throughout year ended 31 December 2014 complied with the code provisions set out in the CG Code except for the deviations from code provisions A.6.7.

Code provision A.6.7 of the CG Code provides that non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. One executive Director, two non-executive Directors and one independent non-executive Director were not able to attend the annual general meeting of the Company held on 5 June 2014 due to other personal business engagements.

THE BOARD

Role of Directors

The Board is accountable to the Shareholders for managing the Company in a responsible and effective manner. Every Director is committed to act in the best interest of the Company and to contribute their expertise and knowledge to the Company. The Board decides on overall strategies and monitors the Group's performance on behalf of the Shareholders.

The Board determines the objectives, strategies and policies of the Group. In addition, the Board monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. The day-to-day management of the Group's business is delegated to the Chief Executive Officer and the management of the Group under the supervision of the executive directors of the Company. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, financial objectives, dividend policy, changes in accounting policies, material acquisition and disposal of assets, investments and capital projects, banking facilities, provision of guarantees and indemnities, determination and adoption of documents (including the publication of announcements, reports and statements to shareholders) that are required by the Company's constitutional documents, statutes and other applicable regulations and monitoring the compliance with corporate governance practices and applicable laws and regulations as well as the financial covenants imposed by banks.

During the year under review, the key non-routine matters addressed by the Board included establishment of the strategy and development committee.

Composition

The Board, which currently comprises eleven Directors, is responsible for supervising the management of the Group. It currently comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. The biographical details of the Board members are set out on pages 21 to 24 of this annual report. Each of the Directors signed a formal letter of appointment setting out the key terms and conditions of his appointment in compliance with code provision of D1.4 of the CG Code. A list containing the names of all Directors and their roles and functions was published on the respective websites of the Stock Exchange and the Company pursuant to code provision A3.2 of the CG Code.

The diversified expertise and experience of the non-executive Directors contribute significantly in advising management on strategy and policy development. The non-executive Directors also serve to ensure that high standards in financial and other mandatory reporting are maintained and to provide adequate checks and balances for safeguarding the interests of the Shareholders and the Company as a whole. Having considered the functions of non-executive Directors, particularly their roles in respect to providing the checks and balances for the Company, it is considered that there is a reasonable balance between the executive and non-executive Directors on the Board.

To the best knowledge to the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among Board members.

The Company has in force appropriate insurance coverage on director's and officer's liabilities arising from the Group's business. Management reviews the insurance coverage on an annual basis.

Non-executive Directors

Each of the non-executive Directors is appointed for a specific term of 3 years, subject to retirement by rotation under the articles of association of the Company ("Articles of Association").

Independent Non-executive Directors

Each of the independent non-executive Directors is appointed for a specific term of 3 years, subject to retirement by rotation under the Articles of Association. Mr. LEE Kong Wai, Conway, one of the independent non-executive Directors, has the appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Board has received from each independent non-executive Director a written annual confirmation of their independence and is satisfied with their independence in accordance with the Listing Rules. The Company considers that all independent non- executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent. The number of its independent non-executive Directors is four and one-third of the board as required under Rule 3.10(1) and 3.10A of the Listing Rules.

Appointment, Re-election of Directors

In accordance with the CG Code and the Articles of Association, all Directors (including independent non-executive Directors) are subject to retirement by rotation once every three years. The composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Corporate Governance Functions

The Company has not established a Corporate Governance Committee. The Audit Committee is responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 of Corporate Governance Code and Corporate Governance Report. The primary duties of corporate governance function are to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; review and monitor the training and continuous professional development of directors and senior management; review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer of the Company are currently held by Mr. Yu Xubo and Ms. GAO Lina, respectively. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards its corporate goals. The Chief Executive Officer is responsible for the effective implementation of the overall strategies and initiatives adopted by the Board as well as the daily operation of the Group.

With the support of the Chief Executive Officer and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and that they receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

Directors' Duties

The Directors are continuously updated with the regulatory requirements, business activities and development of the Company that would facilitate the discharge of their responsibilities. Through regular Board meetings, all Directors are kept abreast of the conduct, business activities and development of the Company.

Board process

During year ended 31 December 2014, the Board has held six board meetings to discuss the overall strategy as well as the operations and financial performance of the Group. The Directors participated in person or through electronic means of communication. The attendance of each Director is set out as follows:

	Number of Board meetings, Board Committee meetings and general meetings attended/held				
Name of Director	Annual General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Ms. GAO Lina (Deputy Chairman and Chief Executive Officer)	1/1	6/6	N/A	N/A	N/A
Mr. HAN Chunlin (Chief Operation Officer)	0/1	6/6	N/A	N/A	N/A
Mr. SUN Yugang (Chief Financial Officer)	1/1	6/6	N/A	N/A	N/A
Non-executive Directors					
Mr. YU Xubo (Chairman)	1/1	5/6	N/A	N/A	N/A
Mr. WOLHARDT Julian Juul	1/1	6/6	N/A	1/1	N/A
Mr. HUI Chi Kin, Max	0/1	5/6	3/3	N/A	N/A
Mr. DING Sheng (resigned on 26 June 2014)	0/1*	1/2*	N/A	N/A	N/A
Mr. Wu Jingshui (appointed on 26 June 2014)	—*	4/4*	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. LI Shengli	1/1	4/6	N/A	1/1	1/1
Mr. LEE Kong Wai, Conway	1/1	5/6	3/3	N/A	1/1
Mr. LIU Fuchun (resigned on 25 August 2014)	0/1*	2/3*	1/3*	1/1*	N/A
Mr. KANG Yan	1/1	6/6	N/A	N/A	1/1
Mr. Zou Fei (appointed on 25 August 2014)	—*	3/3*	1/1*	—*	N/A

Note:

* Number of meetings attended during the term of office for the year ended 31 December 2014.

Our Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and may make inquiries if necessary. Directors of the Company who considers it necessary to seek independent professional advice in order to perform his/her duties as a Director of the Company may convene, or request the Company Secretary to convene, a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all Directors at least three days before the proposed date of a meeting. Additional Board meetings, if necessary, are arranged and held as and when required.

Every Director is entitled to access the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at Board and Committee meetings are recorded with sufficient detail in the meeting minutes. Draft and final versions of minutes of Board meetings have been sent to all Directors for their comments and record within a reasonable time after the relevant meeting was held.

If the Board considers a substantial Shareholder or a Director has a conflict of interest in a matter, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company shall be responsible for arranging suitable training for all Directors at the Company's expense. The Group continuously updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. A summary of training received by Directors during year end to 31 December 2014 according to the records provided by the Directors is as follows:

Directors	Type of trainings
Executive Directors	
Ms. GAO Lina (Deputy Chairman and Chief Executive Officer)	A, B
Mr. HAN Chunlin (Chief Operation Officer)	A, B
Mr. SUN Yugang (Chief Financial Officer)	A, B
Non-executive Directors	
Mr. YU Xubo (Chairman)	A, B
Mr. WOLHARDT Julian Juul	A, B
Mr. HUI Chi Kin, Max	A, B
Mr. DING Sheng (resigned on 26 June 2014)	A, B
Mr. Wu Jingshui (appointed on 26 June 2014)	A, B
Independent Non-executive Directors	
Mr. LI Shengli	A, B
Mr. LEE Kong Wai, Conway	A, B, C
Mr. LIU Fuchun (resigned on 25 August 2014)	A, B
Mr. KANG Yan	A, B
Mr. Zou Fei (appointed on 25 August 2014)	A, B

A: Reading materials, journals and updates relating to the business and industry development

B: Reading materials relevant to the latest development of the Listing Rules and other applicable regulatory requirement

C: Attending seminars and/or conferences and/or forums

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the members of the senior management by band for the year ended 31 December 2014 is set out below:

	Number of members	
	For the year ended 31 December 2014	For the 6 months ended 31 December 2013
Emolument bands		
Nil to HK$1,000,000	—	2
HK$1,000,001 to HK$2,000,000	2	—
	2	2

Further particulars regarding Directors' emoluments and the 5 highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 to the financial statements.

THE BOARD'S DIVERSITY POLICY

The Board has adopted diversity policy, which sets out the approach to diversity of Board members. In determining the Board composition, the Company considers a range of diversity elements, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge. All appointments of the Board will be made based on merit and objective criteria while taking into full account of the interest of Board's diversity.

The selection of candidate will be based on a range of diversity elements. The final decision will be made according to the strengths of the candidate and his/her contribution that would bring to the Board.

As at date of this report, the Board comprises 11 directors. One of them is a woman. Four of them are independent non-executive directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

BOARD COMMITTEES

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Strategy and Development Committee with the defined terms of reference in line with the CG Code. The term of reference are published on the respective websites of the Stock Exchange and the Company. The Board Committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice in appropriate circumstances upon request. Details of these Board committees including their composition, major responsibilities and functions and worked performed are as follows:

Remuneration Committee

The Chairman of the Remuneration Committee is Mr. LI Shengli and other members are Mr. WOLHARDT Julian Juul and Mr. Zou Fei. The Remuneration Committee is chaired by independent non-executive Director and the majority being independent non-executive Directors of the Company.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for non-executive Directors, mainly comprising Directors' fees, is subject to annual assessment with reference to the market standard. Individual Directors and senior management would not be involved in deciding their own remuneration. The Remuneration Committee has been provided with sufficient resources to discharge its duties.

During the year ended 31 December 2014, the Remuneration Committee reviewed, discussed and/or approved the remuneration for the Directors and senior management and reviewed the remuneration policy and made recommendation to the Board for its approval.

Audit Committee

The Chairman of the Audit Committee is Mr. LEE Kong Wai, Conway and other members are Mr. HUI Chi Kin, Max and Mr. Zou Fei, the majority being independent non-executive Directors of the Company. The Audit committee is chaired by an independent non-executive director. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard. The Audit Committee has been provided with sufficient resources to discharge its duties.

At the meeting, the Audit Committee reviewed the consolidated financial statements and annual report before submission to the Board for approval. It reviewed the external auditor's letter to the management and ensured the Board provided timely responses to the issues raised therein. The Audit Committee had also reviewed the Group's accounting policies and practices, Listing Rules and statutory compliance, internal controls, financial reporting matters and continuing connected transactions of the Group.

Nomination Committee

The Chairman of Nomination Committee is Mr. KANG Yan and other members are Mr. LI Shengli and Mr. LEE Kong Wai, Conway, all being independent non-executive Directors of the Company.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assess the independence of independent non-executive directors; and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Nomination Committee has been provided with sufficient resources to discharge its duties.

At the meeting, the Nomination Committee reviewed and recommended the structure, size and composition (including skills, knowledge and experience) of the Board. It also reviewed the independence of the independent non-executive Directors.

Strategy and Development Committee

The Company has established a Strategy and Development Committee on 11 December 2014. As at 31 December 2014, the Strategy and Development Committee comprised executive Director, Ms. GAO Lina, one non-executive Director, Mr. WOLHARDT Julian Juul and two independent non-executive Directors, Mr. Li Shengli and Mr. Zou Fei. The Strategy and Development Committee is chaired by Mr. Li Shengli.

The principal duties of the Strategy and Development Committee include drawing up long-term development strategies and significant investments on financing plans of the Company, proposing significant capital investment for operation projects, and conducting studies and making recommendations on important matters that would affect the development of the Company.

AUDITOR'S REMUNERATION

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2014, the remuneration to the auditor of the Company was approximately RMB2.55 million for audit services and RMB1.3 million for non-audit services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The management provides the explanations and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2014, the requirements of the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") issued by the International Accounting Standards Board and the applicable laws were complied with.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as going concern. The Board has prepared the financial statements on a going concern basis.

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

Pursuant to code provision C1.2 of the CG Code, the management of the Company should provide all members with monthly updates giving a fair and understandable assessment of the Company's performance, financial position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge his duties under Rule 3.08 and Chapter 13 of the Listing Rules. Monthly Updates such as condensed monthly managements accounts and updated information has been provided to all members of the Board for the financial period.

INTERNAL CONTROL

The Board is responsible for reviewing the effectiveness of the internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers all material controls, including financial, operational and compliance controls and risk management functions. Such annual review also considers the adequacy of resources, qualifications and experience of the staff of the Company in relation to its accounting and financial reporting function, and their training programmes and budget. Regular internal control review reports are circulated to the Audit Committee members and the Board in accordance with the approved scope.

During the year, management has conducted regular reviews on the effectiveness of the internal control system covering all material controls in area of financial and compliance controls and various functions for risk management. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function for the year ended 31 December 2014. The Audit Committee is satisfied that the internal control system maintained by the Group is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and proper accounting records are properly maintained.

The Group will continue to enhance the system to cope with the changes in the business environment.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiries of all the Directors, and all Directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2014.

COMPANY SECRETARY

The Company Secretary of the Company has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge for the year ended 31 December 2014.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Company discloses relevant information to Shareholders through the Company's annual report and financial statements, the interim report, as well as the annual general meeting ("AGM"). The section under "Chairman's Statement" and "Management Discussion and Analysis" of the annual report facilitate the Shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with Shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

To manage its relationship with the investment community, the Group meets regularly with the press and financial analysts and participates frequently in other conferences and presentations.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

Procedure for shareholders to convene an extraordinary general meeting

Pursuant to the Articles of Association, any one or more Shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (Attn: Board of Directors/ Company Secretary, at Unit 2402, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong) or via email (info@moderndairyir.com). The Board shall proceed duly within 21 days from the date of deposit of the requisition to convene a general meeting to be held within a further 21 days.

Procedures for sending enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office address at Unit 2402, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong. The Company Secretary forwards communications relating to matters within the Board's purview to the Board.

Procedures for making proposals at shareholder's meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at general meetings. Proposals shall be sent to the Board pursuant to the following address via personal delivery, mail or courier to: Attention: Shareholder Communication, Board of Directors, Unit 2402, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong

The Board may, in its sole discretion, consider if such proposals are appropriate and shall be put forward to the Shareholders for approval at next annual general meeting or at an extraordinary general meeting to be convened by the Board, as appropriate.

Voting by way of poll

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the AGM must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to article 76 of the Articles of Association. The relevant details of the proposed resolutions, including biographies of each Director standing for re-election, will be included in the circular to Shareholders dispatched together with the annual report. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

INVESTOR RELATIONS

During the year ended 31 December 2014, there had been no change in the Company's constitutional documents. An up-to-date consolidated version of the Memorandum and Articles of Association is published on the websites of the Group and the Stock Exchange.

The Board presents its annual report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

China Modern Dairy Holdings Ltd is a company incorporated in the Cayman Islands and has its registered office at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the PRC.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) production and sale of raw milk to customers for processing into dairy products; and (ii) production and sale of liquid milk products.

The particulars of the subsidiaries are set out in note 37 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 48 to 129.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 28 to the financial statements.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the year ended 31 December 2014.

RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of the annual report. The movements in reserves are in the consolidated statement of changes in equity on page 53 of the annual report.

The Directors have recommended the payment of a final dividend of RMB0.01 (2013: Nil) per share, amounting to approximately RMB48.3 million (2013: Nil) in total, to shareholders whose names appear on the register of members on Tuesday, 16 June 2015.

DISTRIBUTABLE RESERVES

In addition to the retained profits of the Company, the share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law of the Cayman Islands.

As at 31 December 2014, the Company's distributable reserve was RMB3,477.4 million (31 December 2013: 3,650.2 million).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 127 to 129 of the annual report.

PROPERTY, PLANT AND MACHINERY

Details of the movements in fixed assets of the Group are set out in note 14 to the financial statements.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2014 are set out in note 25 and 26 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the Group's primary customer, Mengniu accounted for approximately 59.8% (6 months ended 31 December 2013: 70.8%) of the Group's total turnover for the year ended 31 December 2014. The Group's five largest customers contributed in aggregate 78.9% (6 months ended 31 December 2013: 84.7%) of the Group's total turnover for the year ended 31 December 2014.

During the year ended 31 December 2014, the five largest suppliers of the Group in aggregate represented 18.26% (6 months ended 31 December 2013: 17.72%) of the Group's total purchases. Purchases from the largest supplier accounted for approximately 7.78% (6 months ended 31 December 2013: 4.8%) of the Group's total purchases.

Save as disclosed under the paragraph headed "RELATED PARTY TRANSACTION" and note 36 to the Financial Statement, none of the Directors or any of their associates or any shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

DIRECTORS

The Directors during the financial year were:

Executive Directors

Ms. GAO Lina *(Deputy Chairman & Chief Executive Officer)*
Mr. HAN Chunlin *(Chief Operation Officer)*
Mr. SUN Yugang *(Chief Financial Officer)*

Non-executive Directors

Mr. YU Xubo *(Chairman)*
Mr. WOLHARDT Julian Juul
Mr. HUI Chi Kin, Max
Mr. DING Sheng (*resigned as non-executive Director on 26 June 2014*)
Mr. WU Jingshui *(appointed as non-executive Director on 26 June 2014)*

Independent Non-executive Directors

Mr. LI Shengli
Mr. LEE Kong Wai, Conway
Mr. LIU Fuchun (*resigned as independent non-executive Director on 25 August 2014*)
Mr. KANG Yan
Mr. ZOU Fei *(appointed as independent non-executive Director on 25 August 2014)*

In accordance with Article 17.18 of the Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Company received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 21 to 24 of this annual report.

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

At 31 December 2014, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Ms. GAO Lina[(1)]	Interest in controlled corporation	221,581,733	4.59%
	Beneficial owner	43,956,516[(3)]	0.91%
Mr. HAN Chunlin	Beneficial owner	28,554,583[(2)]	0.59%
Mr. SUN Yugang	Beneficial owner	16,064,990[(2)]	0.33%

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

(2) These represent interest in underlying shares of the management options (the "Management Options") and share options granted by the Company, details of which are set out in the section "Management Options" and "Share Option Scheme" below.

(3) This represent 4,800,000 ordinary shares and 39,156,516 share option in underlying shares of the Management Options and share options.

Saved as disclosed above, as at 31 December 2014, 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.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and the related party transactions are set out on pages 118 to 120 of this annual report respectively. Save for the above, no other contract of significance to which the Company or its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year ended 31 December 2014 or at any time during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Director named in the paragraphs below have interests in businesses, which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group during the year.

Mr. Wu Jing Shui is a non-executive director of China Shengmu Organic Milk Limited (Stock Code: 1432), company listed in the Main Board. China Shengmu Organic Milk Limited is engaged in the dairy industry.

The above-mentioned competing business is managed by separate entities with independent management and administration. The Directors are of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant Director, in performance of his duty as Director, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, none of the Directors or their respective associates had any interest in any company or business which competes or may compete with the business of the Group during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the period.

MANAGEMENT OPTIONS

The Company granted the management options on 31 October 2010 to Ms. GAO Lina, Mr. HAN Chunlin and Mr. SUN Yugang. The following share options were outstanding during the year:

		Number of underlying shares which may be issued pursuant to the management option				
Name of grantee	Date of grant	As at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2014
Ms. GAO Lina	31 October 2010	29,276,916	—	—	—	29,276,916
Mr. HAN Chunlin	31 October 2010	21,653,916	—	—	—	21,653,916
Mr. SUN Yugang	31 October 2010	9,142,924	—	—	—	9,142,924
		60,073,756	—	—	—	60,073,756

These options are exercisable during the period commencing from the Listing Date 26 November 2010 until 10 years from the date of offer.

As at 31 December 2014, the number of shares to be issued upon the exercise of the outstanding options is 60,073,756 shares, representing 1.24% of the issued share capital of the Company as at that date.

SHARE OPTION SCHEME ADOPTED ON 17 NOVEMBER 2011 ("SHARE OPTION SCHEME I")

The Company unconditionally adopted a share option scheme on 17 November 2011, particulars of which are set out as follows:

(a) The purpose of the Share Option Scheme I

The Share Option Scheme I seeks to provide an incentive for the Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(b) Qualified Participants

The Board may at its discretion grant options to: any executive director, or employee (whether full time or part time) of the Company, its subsidiary or its invested entity (the "Qualified Participants"). The basis of eligibility of any Qualified Participants to the grant of the options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Maximum number of shares available for issue under the Share Option Scheme I

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme I must not exceed 40,000,000 as approved by shareholders at 2011 AGM. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 32,106,183 shares, representing approximately 0.67% of the total number of shares in issue of the Company.

(d) Maximum entitlement of each Qualified Participant under the Share Option Scheme I

Unless approved by the Shareholders at a general meeting in the manner prescribed in the Listing Rules, the Board may not grant options to any Qualified Participants if the acceptance of those options would result in the total number of shares issued and to be issued to that Qualified Participant on exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total number of shares in issue of the Company at the time.

(e) Timing for exercise of options

In respect of an option, the option period shall be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period must expire not more than 3 years from the Offer Date (as defined below).

The vested options must be exercised within 5 years on the day when they become vested and after such period the vested options will automatically lapse.

(f) Performance targets and vesting of option

Once the options are granted to the relevant Qualified Participant (the "Granted Options"), the Granted Options will be deemed to be divided into three tranches, each of which will consist of one third of the Granted Options and will be associated with a performance target within a specific financial period (the "Performance Target"). Such Performance Target will be determined at the Board's discretion and specified in the offer letter when the options are granted. The financial period for the first tranche will be 12 months ended 30 June 2013 of the Company in which the options are first granted to the relevant Qualified Participant (the "First year"), the financial period for the second tranche will be 12 months ended 30 June 2014 of the Company immediately following the First Year (the "Second Year") and the financial period for the third tranche will be 12 months ended 30 June 2015 of the Company immediately following the Second Year. The corresponding tranche will accrue if the Performance Target set for the relevant financial period is met.

(g) Payment for acceptance of option

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as a consideration for the grant.

(h) Basis of determining the exercise price

The exercise price shall be a price determined by the Board but in any event shall not be lower than the highest of: (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Participant (the "Offer Date"); (ii) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; (iii) the nominal value of the shares; and (iv) the initial public offer price of the Shares.

(i) Period of the Share Option Scheme I

Subject to earlier termination by the Company at a general meeting or by the Board, the Share Option Scheme I shall be valid and effective for a period of three years from 17 November 2011.

The following share options were outstanding under the Share Option Scheme I during the year under review:

Name or category of participant	Number of shares which may be issued pursuant to the Share Option Scheme I As at 1 January 2014	Granted during the year	Exercised during the year	Cancelled and lapsed during the year	As at 31 December 2014	Option period
Directors						
Ms. GAO Lina	2,879,600	—	—	—	2,879,600	12.12.2012-30.6.2020
Mr. HAN Chunlin	1,900,667	—	—	—	1,900,667	12.12.2012-30.6.2020
Mr. SUN Yugang	1,922,066	—	—	—	1,922,066	12.12.2012-30.6.2020
Subtotal	6,702,333	—	—	—	6,702,333	
Other employees						
In aggregate	26,925,440	—	—	(1,521,590)	25,403,850	12.12.2012-30.6.2020
Total	33,627,773	—	—	(1,521,590)	32,106,183	

Notes:

1) All the share options were granted on 12 December 2012 and the exercise price is HK$2.89.

2) The Scheme I Granted Options accrued in accordance with the above paragraph shall vest on a one-off basis within 30 days after the date of publication of the results announcement for the six months ending 30 June 2015. Any Scheme I Granted Options not accrued as a result of non-fulfillment of any Scheme I Performance Target shall automatically lapse.

3) The share options represent personal interest held by the relevant Directors as beneficial owners.

SHARE OPTION SCHEME ADOPTED ON 5 JUNE 2014 ("SHARE OPTION SCHEME II")

The Company unconditionally adopted a share option scheme on 5 June 2014, particulars of which are set out as follows:

(a) The purpose of the Share Option Scheme II

The Share Option Scheme II seeks to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(b) Qualified Participants

The Board may at its discretion grant options to: any executive director, or employee (whether full time or part time) of the Company, its subsidiary or its invested entity. The basis of eligibility of any Qualified Participants to the grant of the options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Maximum number of shares available for issue under the Share Option Scheme II

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme II must not exceed 100,000,000 as approved by shareholders at 2014 AGM. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 77,848,683 shares, representing approximately 1.62% of the total number of shares in issue of the Company.

(d) Maximum entitlement of each Qualified Participant under the Share Option Scheme II

Unless approved by the Shareholders at a general meeting in the manner prescribed in the Listing Rules, the Board may not grant options to any Qualified Participants if the acceptance of those options would result in the total number of shares issued and to be issued to that Qualified Participant on exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total number of shares in issue of the Company at the time.

(e) Timing for exercise of options

In respect of an option, the option period shall be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period must expire not more than 3 years from the Offer Date.

The vested options must be exercised within 5 years on the day when they become vested and after such period the vested options will automatically lapse.

(f) Performance targets and vesting of option

Once the options are granted to the relevant Qualified Participant, the Granted Options will be deemed to be divided into three tranches, each of which will consist of one third of the Granted Options and will be associated with the Performance Target. Such Performance Target will be determined at the Board's discretion and specified in the offer letter when the options are granted. The financial period for the first tranche will be the financial year ended 31 December 2014, the financial period for the second tranche will be the financial year ending 31 December 2015 and the financial period for the third tranche will be the financial year ending 31 December 2016. The corresponding tranche will accrue if the Performance Target set for the relevant financial period is met.

(g) Payment for acceptance of option

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as a consideration for the grant.

(h) Basis of determining the exercise price

The exercise price shall be a price determined by the Board but in any event shall not be lower than the highest of: (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the Offer Date; (ii) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; (iii) the nominal value of the shares; and (iv) the initial public offer price of the Shares.

(i) Period of the Share Option Scheme II

Subject to earlier termination by the Company at a general meeting or by the Board, the Share Option Scheme II shall be valid and effective for a period of three years from 5 June 2014.

The following share options were outstanding under the Share Option Scheme II during the year under review:

Name or category of participant	Number of shares which may be issued pursuant to the Share Options Scheme II As at 1 January 2014	Granted during the year	Exercised during the year	Cancelled and lapsed during the year	As at 31 December 2014	Option period
Directors						
Ms. GAO Lina	—	7,000,000	—	—	7,000,000	6.6.2014-29.4.2022
Mr. HAN Chunlin	—	5,000,000	—	—	5,000,000	6.6.2014-29.4.2022
Mr. SUN Yugang	—	5,000,000	—	—	5,000,000	6.6.2014-29.4.2022
Subtotal	—	17,000,000	—	—	17,000,000	
Other employees						
In aggregate	—	63,000,000	—	(2,151,317)	60,848,683	6.6.2014-29.4.2022
Total	—	80,000,000	—	(2,151,317)	77,848,683	

Notes:

1) All the share options were granted on 6 June 2014 and the exercise price is HK$3.38.

2) The Scheme II Granted Options accrued in accordance with the above paragraph shall vest on a one-off basis within 30 days after the date of publication of the results announcement for the 2016 financial year. Any Scheme II Granted Options not accrued as a result of non-fulfillment of any Scheme II Performance Target shall automatically lapse.

3) The share options represent personal interest held by the relevant Directors as beneficial owners.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the section headed "Management Option" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2014, the interests or short positions of substantial Shareholders, other than the Directors or the chief executive of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO were as follows:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest
China Mengniu Dairy Company Ltd	Beneficial interest	1,347,903,000	27.92%
Xinmu Holdings Co Ltd.	Beneficial interest	671,021,025	13.90%
Yinmu Holdings Co Ltd.	Beneficial interest	446,465,419	9.25%
The Capital Group Companies, Inc.	Beneficial interest	246,924,000	5.12%

Note:

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 31 December 2014.

CONTINUING CONNECTED TRANSACTION

I NEW FRAMEWORK SUPPLY AGREEMENT WITH QIUSHI

Given the supply from Qiushi Grass Industry Co. Ltd. ("Qiushi") from June 2012 has been stable and proven to meet the requirements of the Group, the Company intends to purchase a larger amount of forage grass from Qiushi for a longer period of time. The Board announces that Modern Farm entered into the New Framework Supply Agreement with Qiushi on October 10, 2012 with the intention of replacing and substituting the Framework Supply Agreement.

Qiushi is a connected person of the Company under Rule 14A.11(4) of the Listing Rules as Ms. Deng Yuan, the child of Mr. Deng Jiuqiang, a former executive Director and former Chairman of the Company, can exercise more than 50% of the voting power at general meetings of Qiushi.

The principal terms of the New Framework Supply Agreement are as follows:

Date:	October 10, 2012	
Parties	(i)	Modern Farm as the Buyer; and
	(ii)	Qiushi as the Seller.
Duration:	For a term commencing from 30 November 2012 to June 30, 2015.	
Nature of Transaction:	Sales and supply of forage grass by the Seller Group to the Buyer Group.	
Caps:	The maximum aggregate purchase amount for each of the financial year ending 30 June 2013, 2014 and 2015 shall not exceed RMB357,800,000, RMB486,060,000 and RMB535,840,000.	
Pricing:	(i)	For alfalfa and oat grass, the unit price = (base price + adjusted price) x 90%; and
	(ii)	For alfalfa corn and wheat straw, the unit price = (base price + adjusted price).

Details of the New Framework Supply Agreement have been disclosed in the Company's announcement dated 10 October 2012.

The aggregate purchase amount pursuant to the New Framework Supply Agreement during the year ended 31 December 2014 amounted to approximately RMB328,074,000.

II OFF-TAKE AGREEMENT

The Company started to sell raw milk to Mengniu in 2006, and in October 24, 2008 following arm's length negotiations, Modern Farm entered into a off-take agreement (the "Off-Take Agreement") with Mengniu (Inner Mongolia), pursuant to which the Company shall supply raw milk to Mengniu (Inner Mongolia).

Date:	October 24, 2008	
Parties:	(i)	Modern Farm, a non-wholly owned subsidiary of the Company
	(ii)	Mengniu (Inner Mongolia), a non-wholly owned subsidiary of Mengniu
Nature of the Transaction:	Modern Farm shall supply raw milk to Mengniu (Inner Mongolia).	
Committed Purchase:	Both parties shall start to discuss estimates of annual supply three months prior to the beginning of each calendar year.	
	Should the parties fail to reach an agreed amount, Modern Farm shall be entitled to require Mengniu (Inner Mongolia) to purchase, subject to certain limitations, all of its raw milk production in the upcoming calendar year.	
Right to sell to other parties:	Modern Farm may sell up to 30% of its raw milk produced daily at each dairy farm to third parties at its discretion, except to two of Mengniu's competitors. Other than the aforesaid, the Off-Take Agreement contains no other restrictions on Modern Farm's sales of raw milk to third parties or development of its own dairy products.	

Pricing:	The pricing of the raw milk sold to Mengniu (Inner Mongolia) is determined through a formula which is calculated with reference to a base price with upward adjustment for meeting certain quality standards, such as the level of fat and protein content and other upward adjustments if the Modern Farm's farms are within an agreed proximity to Mengniu Group's dairy processing plants. The base price is based on the price which Mengniu Group at the relevant time offers to buy raw milk from other mid- to large-scale dairy farms (which can offer raw milk of comparable quality) or, if there are no such mid- to large-scale dairy farms in such region, other comparable dairy farms in nearby regions with adjustments (reflecting the prices in different regions). The base price and upward adjustment payable by Mengniu Group under the Off-Take Agreement shall not be lower than the base price and upward adjustment it pays respectively to other mid- to large-scale dairy farms in the same region (other than short-term reward programs offered to milk suppliers that only account for a small portion of Mengniu Group's total raw milk purchases). Mengniu (Inner Mongolia) also grants Modern Farm an option to sell to Mengniu (Inner Mongolia) the same amount of raw milk at the same terms and prices Mengniu (Inner Mongolia) offers to any third party suppliers.
Term:	The Off-Take Agreement shall be for an term of 10 years commencing from October 24, 2008 and will be automatically extend for another 10 years upon expiry in the absence of any force majeure or events of default.

Details of the Off-Take Agreement have been disclosed in the Company's announcement dated 23 May 2013.

The aggregate sales amount pursuant to the Off-take Agreement during the year ended 31 December 2014 amounted to approximately RMB3,006,934,000.

On 21 May 2013, the shareholding interest of Mengniu in the Company increased to 10% or more, meaning that Mengniu became a substantial shareholder of the Company, and thus a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules with effect from 21 May 2013. As Mengniu (Inner Mongolia) is a non-wholly owned subsidiary of Mengniu, it also became a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules with effect from 21 May 2013. As a result, the transactions contemplated under the Off-Take Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules with effect from 21 May 2013.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions regarding the purchase of forage grass from Qiushi and the sales of raw milk to Mengniu (Inner Mongolia) have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or on terms no less favourable than terms available from independent third parties; and

3. in accordance with the relevant agreements governing them and on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board has engaged the auditors of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above, there are no other transactions of the Company which require disclosure in the annual report in accordance with the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing Shareholders.

EVENTS AFTER REPORTING PERIOD

Except for the proposed final dividend disclosed, there is no other significant events after the reporting period.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

Deloitte Touche Tohmatsu has retired and, is eligible to, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board
Yu Xubo
Chairman

Hong Kong, 23 March 2015

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Modern Dairy Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 126, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000 (Restated)
Revenue	5	5,026,706	1,901,248
Cost of sales before biological fair value adjustment		(3,161,345)	(1,280,342)
Biological fair value adjustment included in cost of sales	7/20	(1,666,242)	(542,821)
Loss arising from changes in fair value less costs to sell of dairy cows	20	(329,069)	(16,408)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	20	1,666,242	542,821
Other income	6	40,213	15,902
Selling and distribution costs		(111,909)	(33,595)
Administrative expenses		(214,561)	(84,678)
Share of loss of an associate	17	(6,791)	(872)
Share of profit (loss) of joint ventures	18	7,004	(287)
Other gains and losses	7	(209,648)	(37,562)
Other expenses		(4,635)	(769)
Profit before finance costs and tax	7	1,035,965	462,637
Finance costs	8	(265,601)	(113,505)
Profit before tax		770,364	349,132
Income tax charge	9	(7,476)	(5,875)
Profit and total comprehensive income for the year/period		762,888	343,257
Profit and total comprehensive income attributable to:			
Owners of the Company		735,317	327,487
Non-controlling interests		27,571	15,770
		762,888	343,257
Earnings per share (RMB)	13		
Basic		15.23 cents	6.79 cents
Diluted		15.08 cents	6.72 cents

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	31/12/2014 RMB'000	31/12/2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	4,457,970	4,032,642
Land use rights	15	64,868	66,261
Goodwill	16	310,426	310,426
Interest in an associate	17	18,931	25,722
Interest in joint ventures	18	95,208	32,829
Biological assets	20	6,530,814	5,954,363
Other financial assets	19	93,743	34,517
		11,571,960	10,456,760
CURRENT ASSETS			
Inventories	21	640,581	691,108
Trade and other receivables	22	826,772	544,710
Land use rights	15	1,667	1,667
Pledged bank balances	23	612,909	430,535
Cash and bank balances	23	556,964	369,041
		2,638,893	2,037,061
CURRENT LIABILITIES			
Trade and other payables	24	1,403,003	1,474,250
Tax payable		2,787	9,161
Borrowings – due within one year	25	1,858,398	1,788,799
Short-term debenture	26	1,100,000	1,200,000
Deferred income	27	11,493	10,913
		4,375,681	4,483,123
NET CURRENT LIABILITIES		(1,736,788)	(2,446,062)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,835,172	8,010,698

	Notes	31/12/2014 RMB'000	31/12/2013 RMB'000
CAPITAL AND RESERVES			
Share capital	28	415,261	415,261
Share premium and reserves		6,094,978	5,327,763
Equity attributable to owners of the Company		6,510,239	5,743,024
Non-controlling interests		145,713	117,710
		6,655,952	5,860,734
NON-CURRENT LIABILITIES			
Borrowings – due after one year	25	2,829,450	1,959,867
Deferred income	27	108,928	113,949
Other financial liabilities	19	240,842	76,148
		3,179,220	2,149,964
		9,835,172	8,010,698

The consolidated financial statements on pages 50 to 126 were approved and authorised for issue by the board of directors on 23 March 2015 and are signed on its behalf by:

GAO Lina	HAN Chun Lin
Director	Director

For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note)	Share options reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 July 2013	414,564	2,403,730	1,585,752	10,798	991,940	5,406,784	101,940	5,508,724
Profit and total comprehensive income for the period	—	—	—	—	327,487	327,487	15,770	343,257
Recognition of equity-settled share-based payment (Note 29(a))	—	—	—	2,764	—	2,764	—	2,764
Exercise of share options (Note 29(c))	697	6,206	—	(914)	—	5,989	—	5,989
Balance at 31 December 2013	415,261	2,409,936	1,585,752	12,648	1,319,427	5,743,024	117,710	5,860,734
Profit and total comprehensive income for the year	—	—	—	—	735,317	735,317	27,571	762,888
Disposal of a non-wholly owned subsidiary	—	—	—	—	—	—	432	432
Recognition of equity-settled share-based payment (Note 29(a) and (b))	—	—	—	31,898	—	31,898	—	31,898
Balance at 31 December 2014	415,261	2,409,936	1,585,752	44,546	2,054,744	6,510,239	145,713	6,655,952

Note: Other reserve balance represented the contribution from the owners of the Company for the operation of the Group.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
OPERATING ACTIVITIES			
Profit before tax		770,364	349,132
Adjustments for:			
Depreciation of property, plant and equipment	7	225,544	91,482
Impairment loss in respect of property, plant and equipment	7	42,628	—
Release of land use rights and long-term prepaid rental		1,393	837
Bank interest income	6	(22,084)	(8,255)
Government grants credited to income	6	(11,457)	(5,155)
Finance costs	8	265,601	113,505
Share of loss of an associate	17	6,791	872
Share of (profit) loss of joint ventures	18	(7,004)	287
Fair value loss from derivative financial instrument, net	7	105,468	41,631
Loss on disposal of property, plant and equipment	7	28,758	786
Gain arising on disposal of a subsidiary	33	(2,226)	—
Gain on derecognition of financial liabilities		(417)	(25)
Net foreign exchange loss		17,832	—
Expense recognised in respect of equity-settled share-based payments	29(a)/(b)	31,898	2,764
Loss arising from changes in fair value less costs to sell of dairy cows		329,069	16,408
Operating cash flows before movements in working capital		1,782,158	604,269
Decrease (increase) in inventories		36,326	(348,968)
Increase in trade and other receivables		(230,326)	(182,677)
Increase in trade and other payables		6,584	144,836
Cash generated from operations		1,594,742	217,460
Income taxes paid		(13,850)	(1,499)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,580,892	215,961
INVESTING ACTIVITIES			
Interest received		7,424	3,418
Purchases of property, plant and equipment		(939,237)	(357,659)
Addition in biological assets		(1,197,121)	(594,205)
Addition in pledged bank balances		(256,931)	(73,573)
Release of pledged bank balances		74,557	85,785
Proceeds from disposal of property, plant and equipment		1,414	925
Proceeds from disposal of dairy cows		462,071	167,584
Net cash inflow from disposal of a subsidiary	33	1,581	—
Investment in joint ventures		(55,375)	(33,116)
Government grants received	27	7,016	12,805
NET CASH USED IN INVESTING ACTIVITIES		(1,894,601)	(788,036)

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
FINANCING ACTIVITIES		
Interest paid	(274,690)	(112,528)
New borrowings raised	4,623,297	1,623,289
Repayment of borrowings	(3,701,947)	(1,453,664)
Proceeds from issue of short-term debenture	1,100,000	500,000
Repayment of short-term debenture	(1,200,000)	—
Payment for borrowings and short-term debenture transaction cost	(45,028)	—
Proceeds from issue of shares upon exercise of share options	—	5,989
NET CASH GENERATED FROM FINANCING ACTIVITIES	501,632	563,086
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,923	(8,989)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	369,041	378,030
CASH AND CASH EQUIVALENTS AT END OF YEAR, Represented by cash and bank balances	556,964	369,041

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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, KYI-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").

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 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").

Basis of Presentation

During the prior financial period, the reporting period end date of the Group was changed from 30 June to 31 December, because the directors of the Company (the "Directors") determined to bring the annual reporting period end date of the Group in line with that of the Group's subsidiaries established in the PRC. Accordingly, the corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a six-month period from 1 July 2013 to 31 December 2013 and therefore may not be comparable with amounts shown for the current year.

In presenting the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the Directors has changed the analysis and presentation of expenses recognised in profit or loss from using the classification by nature to using the classification by function. Comparative information for the six months ended 31 December 2013 has been presented on the same basis.

In preparation the consolidated financial statements for the year ended 31 December 2014, the Directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately RMB1,736,788,000 as at 31 December 2014 (31 December 2013: RMB2,446,062,000). Having considered the secured credit facilities of approximately RMB8,089,553,000 (including credit facilities that will expire after 31 December 2015 of RMB2,271,570,000) which remains unutilised as at 31 December 2014, 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 consolidated financial statements have been presented on a going concern basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to IFRSs and a new Interpretation.

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

The application of the amendments to standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards and amendments that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016. IFRS 14 is not applicable to the Group as the Group is not a first-time adopter of IFRSs
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except as described below, the Directors do not anticipate that the application of the abovementioned new and revised standards, amendments and interpretations issued but not yet effective will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments *(continued)*

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for: (i) the biological assets, which are measured at fair value less costs to sell, and (ii) financial assets at 'fair value through profit or loss' (FVTPL) and financial liabilities at FVTPL, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in an associate and a joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate or a joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of an associate or a joint venture exceeds the Group's interest in that associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition is accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassified the gain or loss from equity to profit or loss (as a reclassified adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in an associate and a joint venture *(continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassified to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not relate to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sales of milk produced is recognised when the milk is delivered and title has been passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases payments are recognised as expenses on a straight-line basis over the term of the relevant lease. Contingent rental expenses, if any, are charged as expenses in the periods in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (the functional currency, i.e. RMB).

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefits under the state-managed retirement benefit schemes in the PRC are charged as an expense when employees have rendered service entitling them to the contribution.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Grants relating to biological assets

An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised in profit or loss when, and only when, the government grant becomes receivable. If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, the Group recognises the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

Other grants

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable. Other government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and released to profit or loss over the useful lives of the related assets.

Share-based payment transactions

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment (other than construction in progress) including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

Land use rights represent the Group's prepaid lease payments for land use rights and are accounted for as operating lease. Land use right are stated at cost and released on a straight-line basis over the lease terms. Land use rights which are to be released in the next twelve months or less are classified as current assets.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method.

Biological assets

Dairy cows

Dairy cows, including milkable cows, heifers and calves are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resulting gain or loss recognised in profit or loss for the year in which it arises. The fair value of dairy cows is determined based on its present location and condition and is determined independently by professional valuer.

The feeding costs and other related costs including depreciation charge, utilities cost and consumables incurred for raising of heifers and calves are capitalised, until such time as the heifers and calves are sold out or begin to produce milk.

Agricultural produce

Milk

Agricultural produce represents raw milk. Raw milk is recognised at the point of harvest at its fair value less costs to sell. The fair value of milk is determined based on market prices in the local area.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the far value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets represent financial assets at FVTPL and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial assets is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instrument that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial assets other than a financial assets held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investments strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 19.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after its initial recognition, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 60 to 120 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed do not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 30.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Other Financial liabilities

Financial liabilities including borrowings, trade and other payables and amount due to an associate are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

As at 31 December 2014, the carrying amount of goodwill are RMB310,426,000 (31 December 2013: RMB310,426,000). Details of the recoverable amount calculation are disclosed in Note 16.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation teams findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments, share-based payment and biological assets. Notes 19, 20 and 29 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. SEGMENT INFORMATION

The Group's most senior executive management is identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. For the Group's dairy farming and liquid milk businesses, the CODM reviews operating results and financial information on an entity by entity basis and each entity is identified as an operating segment. Since the group companies engaged in the dairy farming business and liquid milk business are operating in similar business model with similar target group of customers, and under the same regulatory environment, respectively they are aggregated as two reportable segments.

The Group's reportable segments for segment reporting purpose are as follows:

- Dairy farming: breeding dairy cows to produce and sell raw milk;
- Liquid milk products: producing and selling processed liquid milk.

5. SEGMENT INFORMATION *(continued)*

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

Segment revenue, results, assets and liabilities

	Dairy farming RMB'000	Liquid milk products RMB'000	Total RMB'000
For the year ended 31 December 2014			
Segment revenue	4,672,151	832,686	5,504,837
Less: Inter-segment revenue	(478,131)	—	(478,131)
Net external revenue	4,194,020	832,686	5,026,706
Segment cost of sales before biological fair value adjustment	2,938,876	695,999	3,634,875
Less: Inter-segment cost of sales	(473,530)	—	(473,530)
Net external cost of sales before biological fair value adjustment	2,465,346	695,999	3,161,345
Reportable segment profit	1,226,082	78,354	1,304,436
Elimination of inter-segment results			(4,601)
Loss arising from changes in fair value less costs to sell of dairy cows			(329,069)
Share of loss of an associate			(6,791)
Share of profit of joint ventures			7,004
Unallocated other income			25,502
Unallocated other gains and losses			(123,243)
Unallocated expenses			(102,874)
Profit before tax			770,364
As at 31 December 2014			
Segment assets	12,207,104	937,065	13,144,169
Elimination of inter-segment balances			(560,024)
Unallocated assets			1,626,708
Consolidated assets			14,210,853
Segment liabilities	7,137,792	676,946	7,814,738
Elimination of inter-segment balances			(555,423)
Unallocated liabilities			295,586
Consolidated liabilities			7,554,901

5. SEGMENT INFORMATION *(continued)*

Segment revenue, results, assets and liabilities *(continued)*

	Dairy farming RMB'000	Liquid milk products RMB'000	Total RMB'000
For the six months ended 31 December 2013			
Segment Revenue	1,786,814	204,322	1,991,136
Less: Inter-segment revenue	(89,888)	—	(89,888)
Net external revenue	1,696,926	204,322	1,901,248
Segment cost of sales before biological fair value adjustment	1,222,661	147,569	1,370,230
Less: Inter-segment cost of sales	(89,888)	—	(89,888)
Net external cost of sales before biological fair value adjustment	1,132,773	147,569	1,280,342
Reportable segment profit	437,211	57,240	494,451
Elimination of inter-segment results			—
Loss arising from changes in fair value less costs to sell of dairy cows			(16,408)
Share of loss of an associate			(872)
Share of loss of joint ventures			(287)
Unallocated other income			8,308
Unallocated other gains and losses			(42,939)
Unallocated expense			(93,121)
Profit before tax			349,132
As at 31 December 2013			
Segment assets	11,129,939	446,997	11,576,936
Elimination of inter-segment receivables			(223,193)
Unallocated assets			1,140,078
Consolidated assets			12,493,821
Segment liabilities	6,469,099	282,367	6,751,466
Elimination of inter-segment payables			(223,193)
Unallocated liabilities			104,814
Consolidated liabilities			6,633,087

5. SEGMENT INFORMATION *(continued)*

Continuing operations *(continued)*

Other segment information

Amounts included in the measure of segment profit of loss or segment assets:

For the year ended 31 December 2014

	Dairy farming RMB'000	Liquid milk products RMB'000	Total RMB'000
Additions to non-current assets	2,026,099	311,455	2,337,554
Depreciation and amortisation charged to profit and loss	191,874	29,072	220,946
Impairment recognised in income statement	42,628	—	42,628
Loss on disposal of property, plant and equipment	28,516	—	28,516
Interest income	815	54	869
Financial costs	236,439	—	236,439

For the six months ended 31 December 2013

	Dairy farming RMB'000	Liquid milk products RMB'000	Total RMB'000
Additions to non-current assets	1,097,890	7,609	1,105,499
Depreciation and amortisation charged to profit and loss	76,047	11,063	87,110
Loss on disposal of property, plant and equipment	779	—	779
Interest income	331	20	351
Financial cost	38,454	4,322	42,776

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without loss arising from changes in fair value less costs to sell of dairy cows, fair value gain and loss from derivative financial instruments, share of loss of an associate, share of profit (loss) of joint ventures, gain on disposal of subsidiary and head office and corporate income and expenses that are not directly attributable to operating segments. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

5. SEGMENT INFORMATION *(continued)*

Continuing operations *(continued)*

Other segment information *(continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in an associate, interests in joint ventures, other financial assets, goodwill and head office or corporate assets; and
- all liabilities are allocated to operating segments other than other financial liabilities and head office or corporate liabilities.

Geographic information

Since all the revenue from external customers is derived from the customers located in mainland China and most of the non-current assets are obtained and 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 of RMB4,194,020,000 (for the six months ended 31 December 2013: RMB1,696,926,000) are revenue of approximately RMB3,006,934,000 (for the six months ended 31 December 2013: RMB1,345,269,000) which arose from sales to a single external customer. No other single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2014 and six months ended 31 December 2013.

6. OTHER INCOME

	For the year ended 31 December 2014 RMB'000	For six months ended 31 December 2013 RMB'000
Bank interest income	22,084	8,255
Government grants related to		
– Other assets (Note 27)	11,457	5,155
– Income (Note i)	2,497	851
Others	4,175	1,641
	40,213	15,902

Note:

i. 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.

7. PROFIT BEFORE FINANCE COSTS AND TAX

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

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Cost of sales before biological fair value adjustments		
Breeding costs to produce raw milk	2,465,346	1,132,773
Production costs for liquid milk products	695,999	147,569
	3,161,345	1,280,342
Biological fair value adjustment included in cost of sales	1,666,242	542,821
	4,827,587	1,823,163
Other gains and losses:		
Fair value gain from derivative financial assets	(59,226)	(34,517)
Fair value loss from derivative financial liabilities	164,694	76,148
Gains arising on disposal of a subsidiary (Note 33)	(2,226)	—
	103,242	41,631
Net foreign exchange loss (gain)	28,976	(4,855)
Loss from disposal of property, plant and equipment, net	28,758	786
Impairment of property, plant and equipment	42,628	—
Others	6,044	—
	209,648	37,562
Depreciation of property, plant and equipment	382,103	166,210
Less: capitalised in biological assets	156,559	74,728
Depreciation charged to profit or loss	225,544	91,482
Employee benefits expenses	360,815	163,933
Less: capitalised in biological assets	98,286	48,360
Employee benefits charged in profit or loss	262,529	115,573
Auditors' remuneration	3,850	2,680
Release of land use rights	1,393	837

8. FINANCE COSTS

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	236,412	113,210
Other borrowings wholly repayable within five years	—	692
Short-term debenture repayable within five years	67,228	20,249
Total borrowing cost	303,640	134,151
Less: amounts capitalised for construction of property, plant and equipment	(38,039)	(20,646)
	265,601	113,505

From 1 January 2014 to 31 December 2014, 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 6.32% per annum.

9. INCOME TAX CHARGE

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Income tax recognised in profit or loss:		
Current tax:		
PRC Enterprise Income Tax	7,476	5,875

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 years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Dividend income of Aquitair (defined in Note 37) from Modern Farming (Group) Co., Ltd ("Modern Farm") is subject to Irish Income Tax at 25%. As at 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of Modern Farm was RMB2,370,760,000 (31 December 2013: RMB1,460,987,000). 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.

9. INCOME TAX CHARGE *(continued)*

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. The Group's subsidiaries engaged in agricultural business for the year ended 31 December 2014 and six months ended 31 December 2013 are listed as below:

	For the the year ended to 31 December 2014	For six months ended 31 December 2013
Modern Farm	Exempted	Exempted
Helingeer Modern Farm Co., Ltd.	Exempted	Exempted
Zhangjiakou Saibei Modern Farm Co., Ltd.	Exempted	Exempted
Wenshang Modern Farm Co., Ltd.	Exempted	Exempted
Shangzhi Modern Farm Co., Ltd.	Exempted	Exempted
Hongya Modern Farm Co., Ltd.	Exempted	Exempted
Modern Farming (Chabei) Co., Ltd.	Exempted	Exempted
Modern Farming (Baoji) Co., Ltd.	Exempted	Exempted
Modern Farm (Feidong) Co., Ltd.	Exempted	Exempted
Modern Farming (Tongshan) Co., Ltd.	Exempted	Exempted
Modern Farming (Tongliao) Co., Ltd.	Exempted	Exempted
Modern Farm (Chabei) Hengsheng Co., Ltd.	Exempted	Exempted
Modern Farm (Bengbu) Co., Ltd.	Exempted	Exempted
Modern Farm (Shuangcheng) Co., Ltd.	Exempted	N/A

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong.

The tax expense for the current year/period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Profit before tax	770,364	349,132
Tax at applicable income tax rate at 25%	192,591	87,283
Effect of tax exemption granted to agricultural entities	(231,559)	(93,869)
Tax effect of tax losses not recognised	46,444	12,461
Income tax expense	7,476	5,875

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the directors' and the chief executive's emoluments are as follows:

	For the year ended 31 December 2014				
	Directors fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Share-based payment RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Ms. Gao Lina	–	2,036	3,020	25	5,081
Mr. Han Chunlin	–	1,220	2,126	25	3,371
Mr. Sun Yugang	–	1,122	2,131	25	3,278
Non-executive directors					
Mr. Yu Xubo	–	–	–	–	–
Mr. Wolhardt Julian Juul	–	–	–	–	–
Mr. Hui Chi Kin Max	–	–	–	–	–
Mr. Ding Sheng (Note ii)	–	–	–	–	–
Mr. Wu Jingshui (Note iii)	–	–	–	–	–
Independent non-executive directors					
Mr. Li Shengli	200	–	–	–	200
Mr. Lee Kong Wai Conway	200	–	–	–	200
Mr. Zou Fei (Note iv)	67	–	–	–	67
Mr. Kang Yan	200	–	–	–	200
Mr. Liu Fuchun (Note v)	133	–	–	–	133
	800	4,378	7,277	75	12,530

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	For the six months ended 31 December 2013				
	Directors fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Share-based payment RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Ms. Gao Lina	—	575	279	12	866
Mr. Han Chunlin	—	472	184	12	668
Mr. Sun Yugang	—	423	130	12	565
Non-executive directors					
Mr. Yu Xubo	—	—	—	—	—
Mr. Wolhardt Julian Juul	—	—	—	—	—
Mr. Hui Chi Kin Max	—	—	—	—	—
Mr. Lei Yongsheng (Note vi)	—	—	—	—	—
Mr. Ding Sheng	—	—	—	—	—
Independent non-executive directors					
Mr. Li Shengli	100	—	—	—	100
Mr. Lee Kong Wai Conway	100	—	—	—	100
Mr. Liu Fuchun	100	—	—	—	100
Mr. Kang Yan	100	—	—	—	100
	400	1,470	593	36	2,499

Ms. Gao Lina, Mr. Han Chunlin and Mr. Sun Yugang are also the chief executives of the Company and their emoluments disclosed above include those for services rendered by them as chief executives.

Notes:

i. No directors waived or agreed to waive any emoluments during the year ended 31 December 2014 (for the six months ended 31 December 2013: nil).

ii. Mr. Ding Sheng, a non-executive director, resigned from his office with effect from 26 June 2014..

iii. Mr. Wu Jingshui has been appointed as non-executive director with effect from 26 June 2014.

iv. Mr. Zou Fei has been appointed as independent non-executive director with effect from 25 August 2014.

v. Mr. Liu Fuchun, an independent non-executive director, resigned from his office with effect from 25 August 2014.

vi. Mr. Lei Yongsheng, a non-executive director, resigned from his office with effect from 11 December 2013.

11. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (six months ended 31 December 2013: three) are directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (six months ended 31 December 2013: two) individuals for the year are as follows:

	For the year ended 31 December 2014 employee RMB'000	For the six months ended 31 December 2013 employee RMB'000
Salaries and allowances	1,037	529
Retirement benefits scheme contribution	50	17
Share-based payment	1,572	56
	2,659	602

No emoluments were paid by the Group to the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (six months ended 31 December 2013: nil).

Their emoluments were within the following bands:

	For the year ended 31 December 2014 employee	For the six months ended 31 December 2013 employee
HK$nil to HK$1,000,000	—	2
HK$1,000,001 to HK$2,000,000	2	—
	2	2

12. DIVIDENDS

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Declared and paid during the year		
Equity dividends on ordinary shares	–	—
Proposed for approval at the AGM		
Equity dividends on ordinary shares: Proposed final – RMB0.01 (2013: Nil) per ordinary share (Note (a) and (b))	48,273	—

Notes:

(a) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (the "AGM"). This dividend was not recognised as a liability in the consolidated financial statements as at 31 December 2014.

(b) The proposed final dividend for the year will be appropriated from the Company's distributable share premium.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the year/period is based on the following data:

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	735,317	327,487
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	4,827,338,751	4,820,592,960
Effect of share options issued by the Company	49,890,418	51,866,777
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,877,229,169	4,872,459,737

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
Balance at 1 July 2013	3,204,765	31,919	892,154	275,953	4,404,791
Additions	—	1,760	43,222	383,311	428,293
Transfer	451,652	—	106,247	(557,899)	—
Disposals	(53)	(698)	(4,580)	—	(5,331)
Balance at 31 December 2013	3,656,364	32,981	1,037,043	101,365	4,827,753
Additions	–	3,114	151,373	725,876	880,363
Transfer	459,219	–	244,761	(703,980)	–
Disposals	(37,752)	(3,577)	(16,706)	–	(58,035)
Derecognised on disposal of a subsidiary	(56)	(135)	(95)	–	(286)
Balance at 31 December 2014	4,077,775	32,383	1,416,376	123,261	5,649,795
Accumulated depreciation and impairment					
Balance at 1 July 2013	(414,773)	(9,788)	(207,960)	—	(632,521)
Charge for the period	(108,252)	(1,947)	(56,011)	—	(166,210)
Eliminated on disposals	33	519	3,068	—	3,620
Balance at 31 December 2013	(522,992)	(11,216)	(260,903)	—	(795,111)
Charge for the year	(243,746)	(3,855)	(134,502)	–	(382,103)
Eliminated on disposals of assets	11,211	3,158	13,494	–	27,863
Eliminated on disposal of a subsidiary	28	67	59	–	154
Impairment losses recognised in profit or loss	(41,528)	(15)	(1,085)	–	(42,628)
Balance at 31 December 2014	(797,027)	(11,861)	(382,937)	–	(1,191,825)
Carrying amounts					
Balance at 31 December 2014	3,280,748	20,522	1,033,439	123,261	4,457,970
Balance at 31 December 2013	3,133,372	21,765	776,140	101,365	4,032,642

Certain of the Group's buildings and plant and equipment with an aggregate carrying amount of RMB54,623,000 (31 December 2013: RMB59,192, 000) have been pledged as security for bank borrowings of the Group (Note 25).

As at 31 December 2014 the Group is in the process of obtaining the building ownership certificates of buildings with carrying amounts of RMB3,211,015,000 (31 December 2013: RMB3,070,624,000).

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation is charged using straight-line method over the expected useful life, after taking into account its estimated residual value, at the following rates per annum:

Buildings	4.75%-9.50%
Motor vehicles	19.00%
Plant and equipment	9.50%-19.00%

During the year end 31 December 2014, depreciation charge amounting to RMB156,559,000 (for the six months ended 31 December 2013: RMB74,728,000) have been capitalised in biological assets.

Impairment losses recognised in current year

Pursuant to the Company's announcement dated 28 November 2014, the Group will shut down dairy farming operation in Tongshan Farm by 26 November 2015. Management of the Group carried out an impairment review of the recoverable amount of the property, plant and equipment in Tongshan Farm and recognised an impairment of RMB42,628,000 in other gains and losses in Consolidated Statement of Profit or Loss and Other Comprehensive Income.

15. LAND USE RIGHTS

	RMB'000
Balance at 1 July 2013	68,765
Release to profit or loss	(837)
Balance at 31 December 2013	67,928
Release to profit or loss	(1,393)
Balance at 31 December 2014	66,535

	31/12/2014 RMB'000	31/12/2013 RMB'000
Analysed for reporting purpose as:		
– Current assets	1,667	1,667
– Non-current assets	64,868	66,261
	66,535	67,928

The amount represents the prepaid lease payments for land use rights situated in the PRC. The leasehold interests in land have lease terms ranging from 20 to 50 years.

As at 31 December 2014 land use rights with carrying amount of RMB9,921,000 (31 December 2013: RMB10,165,000) were pledged for certain banking facilities granted to the Group (Note 25).

16. GOODWILL

	RMB'000
Cost	
Balance at 31 December 2014 and 2013	310,426

The Group's goodwill arose from acquisition of Modern Farm (defined in Note 37). Accordingly, for the purposes of impairment testing, goodwill has been allocated to Modern Farm and its subsidiaries which is considered one cash generating unit (the "Modern Farm CGU").

The recoverable amount of the Modern Farm CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets of five years approved by management and discount rate of 13.07% (31 December 2013: 12.48%). Cash flows beyond the budgeted period are extrapolated using a 4.00% (31 December 2013: 4.00%) growth rate. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which include budgeted sales and operating expenses. Such assumptions are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Modern Farm CGU to exceed the aggregate recoverable amount of Modern Farm CGU. No impairment loss was recognised for the year ended 31 December 2014 and six-month period ended 31 December 2013.

17. INTEREST IN AN ASSOCIATE

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

Name of company	Place of establishment	Registered and paid-up capital		Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
		As at 31 December 2014	As at 31 December 2013	%	%	
Qiushi Grass Industry Co., Ltd. ("Qiushi")	PRC	RMB118,000,000	RMB118,000,000	18	18	Planting and sale of forage grass

17. INTEREST IN AN ASSOCIATE *(continued)*

Qiushi was established on 30 September 2011 as a limited liability company. Although the Group holds less than 20% of the equity interest of Qiushi, and has less than 20% of voting power at shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint one out of three directors to the board of directors of Qiushi.

The summarised financial information in respect of the associate is set out as below.

The associate is accounted for using the equity method in the consolidated financial statements.

	31/12/2014 RMB'000	31/12/2013 RMB'000
Current assets	373,632	378,473
Non-current assets	115,327	104,712
Current liabilities	(326,682)	(275,705)
Non-current liabilities	(57,103)	(64,583)

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Revenue	377,217	132,290
Loss and total comprehensive loss for the year/period	(37,723)	(4,847)
Dividend	—	—

Reconciliation of the above summarise financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Net assets of the associate	105,174	142,897
Proportion of the Group's ownership interest in Qiushi	18%	18%
Carrying amount of the Group's interest in Qiushi	18,931	25,722

18. INTEREST IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Cost of investments in joint ventures	88,491	33,116
Share of post-acquisition profits and other comprehensive income, net of dividends received	6,717	(287)
	95,208	32,829

Details of the Group's interest in joint ventures at the end of the reporting period are as follows:

Name of company	Place of establishment	Registered and paid-up capital		Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
		As at 31 December 2014	As at 31 December 2013	%	%	
Asia Dairy Holdings Limited (the "JV Company I")	Cayman Islands	USD16	USD10	18	18	Investment holding and production of milk
Asia Dairy Holdings II Limited (the "JV Company II")	Cayman Islands	USD10	—	18	18	Investment holding and production of milk

(a) JV Company I

On 23 September 2013, the Company entered into an agreement (the "JV Agreement I") with Success Dairy II Limited ("Success Dairy"). Pursuant to the JV Agreement I, the Company and Success Dairy established JV Company I, an investment holding company incorporated in the Cayman Islands which indirectly owns a PRC subsidiary, Modern Farm Shanghe Ltd. ("現代牧業(商河)有限公司"). The principal activities of Asia Dairy Holdings Limited and its subsidiaries are dairy farming operation ("Dairy Farm I") in the PRC. The Group owns 18% equity interest and Success Dairy owns the remaining 82% equity interest of the JV Company I.

Up to 31 December 2014, the Company and Success Dairy had contributed capital contributions in cash in accordance with their respective ownership ratios, being US$9,000,000 (approximately RMB55, 266,000) and US$41,000,000 (approximately to RMB251,765,000), respectively.

Pursuant to the JV Agreement I, the Company is entitled to nominate one director of the JV Company I and vote on any matters that is a Reserved Matter (as defined in the JV Agreement I, including but not limited to execution of material contracts, approve annual budget, major investment, financing and dividend policies) requires unanimous consent of the directors nominated by both of the Success Dairy and the Company. The Directors consider that the Reserved Matters are relevant activities as defined under IFRS 10 and therefore the JV Company I is under joint control of the Company and Success Dairy.

18. INTEREST IN JOINT VENTURES *(continued)*

(a) JV Company I *(continued)*

The summarised financial information in respect of the JV Company I:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Current assets	76,433	182,012
Non-current assets	452,036	439
Current liabilities	(184,882)	(67)
Non-current liabilities	(550)	—

The above amounts of assets and liabilities include the following:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Cash and cash equivalents	34,144	177,409
Current financial liabilities (excluding trade and other payables and provisions)	—	—
Non-current financial liabilities (excluding trade and other payables and provisions)	—	—

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Revenue	14,098	—
Profit and total comprehensive income for the year/period	37,599	1,592
Dividend	—	—

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Depreciation and amortisation	3,661	—
Interest income	2,537	62
Interest expense	—	—
Income tax expense	—	—

18. INTEREST IN JOINT VENTURES *(continued)*

(a) JV Company I *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Net assets of the joint venture	343,037	182,384
Proportion of the Group's ownership interest in the joint venture	18%	18%
Carrying amount of the Group's interest in the joint venture	61,747	32,829

(b) JV Company II

On 23 September 2013, the Company entered into an agreement (the "JV Agreement II") with Success Dairy II Limited ("Success Dairy"). Pursuant to the JV Agreement II, the Company and Success Dairy established JV Company II, an investment holding company incorporated in the Cayman Islands which indirectly owns a PRC subsidiary, Modern Farm Jinan Ltd. ("現代牧業(濟南)有限公司"). The principal activities of Asia Dairy Holdings Limited and its subsidiaries are dairy farming operation ("Dairy Farm II") in the PRC. The Group owns 18% equity interest and Success Dairy owns the remaining 82% equity interest of the JV Company II.

Up to 31 December 2014, the Company and Success Dairy had made capital contribution of USD5,400,000 (approximately RMB33,225,000) and USD24,600,000 (approximately to RMB151,359,000) to JV Company II, respectively.

Pursuant to the JV Agreement II, the Company is entitled to nominate one director of the JV Company II and vote on any matters that is a Reserved Matter (as defined in the JV Agreement II, including but not limited to execution of material contracts, approve annual budget, major investment, financing and dividend policies) requires unanimous consent of the directors nominated by both of the Success Dairy and the Company. The Directors consider that the Reserved Matters are relevant activities as defined under IFRS 10 and therefore the JV Company II is under joint control of the Company and Success Dairy.

18. INTEREST IN JOINT VENTURES *(continued)*

(b) JV Company II *(continued)*

The summarised financial information in respect of the JV Company II:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Current assets	44,324	N/A
Non-current assets	172,814	N/A
Current liabilities	(28,145)	N/A
Non-current liabilities	(3,099)	N/A

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	19,926	N/A
Current financial liabilities (excluding trade and other payables and provisions)	–	N/A
Non-current financial liabilities (excluding trade and other payables and provisions)	–	N/A

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Revenue	–	N/A
Profit and total comprehensive income for the year/period	1,310	N/A
Dividend	–	N/A

18. INTEREST IN JOINT VENTURES *(continued)*

(b) JV Company II *(continued)*

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Depreciation and amortisation	254	N/A
Interest income	442	N/A
Interest expense	–	N/A
Income tax expense	–	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Net assets of the joint venture	185,894	N/A
Proportion of the Group's ownership interest in the joint venture	18%	N/A
Carrying amount of the Group's interest in the joint venture	33,461	N/A

19. OTHER FINANCIAL ASSETS AND LIABILITIES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Financial assets carried at FVTPL		
Derivative financial instruments	93,743	34,517
Financial liabilities carried at FVTPL		
Derivative financial instruments	240,842	76,148

The amount represented fair value of the Call Option (as defined below) of the Company at the reporting date. The fair value of the Call Option was independently valued by Jones Lang LaSalle Corporate Appraisal And Advisory Limited (the "JLL"), a firm of independent qualified professional valuers.

Pursuant to JV Agreement I and JV Agreement II as set out in Note 18, the Company has granted Success Dairy a put option (the "Put Option") and Success Dairy has granted the Company a call option (the "Call Option"). Under the Put Option, Success Dairy is entitled to require the Company to purchase a portion or all of its shares in the JV Company I and JV Company II and all loans or borrowings owed by the JV Company I and JV Company II to Success Dairy. Under the Call Option, the Company is entitled to require Success Dairy to sell a portion or all of its shares in the JV Company I and JV Company II and all loans or borrowings owed by the JV Company I and JV Company II to Success Dairy.

19. OTHER FINANCIAL ASSETS AND LIABILITIES

The Put Option and the Call Option may be exercised anytime between the third to seventh anniversary of the first day on which the Dairy Farm I and Dairy Farm II produce milk for sale (the ''First Milking Day''). The exercise price for the Put Option and the Call Option shall be calculated in a manner specified in the JV Agreement I and JV agreement II, which set out in the Company's announcement dated 24 September 2013.The First Milking Day of Dairy Farm I and Dairy Farm II has mutually agreed at 2 August 2014 and 15 September 2015, respectively.

The fair values of the Put Option and Call Option as at 31 December 2014 and 31 December 2013 have been determined by using a Binominal Option Pricing Model with the following assumptions:

	31/12/2014		31/12/2013	
	JV Agreement I USD'000	JV Agreement II USD'000	JV Agreement I USD'000	JV Agreement II USD'000
Price of investing capital	41,000	24,600	24,600	N/A
Exercise price	55,898	26,810	25,056	N/A
Expected volatility	40.66%	41.18%	39.78%	N/A
Risk-free interest rate	1.10%	1.47%	1.309%	N/A
Dividend yield	—	—	—	N/A
Return Rate	7.00%	7.00%	7.00%	N/A

The inter-relationship between significant unobservable inputs and fair value measurements is disclosed in Note 32.

20. BIOLOGICAL ASSETS

A - Nature of activities

The biological assets of the Group are dairy cows held to produce raw milk.

The quantity of dairy cows owned by the Group at end of the reporting period is shown below. The Group's dairy cows are primarily milkable cows held for milk production. Heifers and calves are those dairy cows that have not reached the age that can produce milk.

	31/12/2014 head	31/12/2013 head
Milkable cows	107,578	98,791
Heifers and calves	93,929	88,047
Total dairy cows	201,507	186,838

The Group is exposed to fair value risks arising from changes in price of the dairy products. The Group does not anticipate that the price of the dairy products will decline significantly in the foreseeable future and the Directors are of the view that there is no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the dairy products.

In general, the heifers are inseminated with semen when heifers reached approximately 14 months old. After an approximately nine month pregnancy term, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 340 days before approximately 60 days dry period.

20. BIOLOGICAL ASSETS *(continued)*

A - Nature of activities *(continued)*

When a heifer begins to produce milk, it is transferred to the category of milkable cows based on the estimated fair value on the date of transfer.

The Group is exposed to a number of risks related to its biological assets. The Group is exposed to the following operating risks:

i. Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates plantation and breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

ii. Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

B - Quantity of the agricultural produce of the Group's biological assets

	For the year ended 31 December 2014 KG	For the six months ended 31 December 2013 KG
Volume of milk sold	931,334,396	373,280,309

C - Value of dairy cows

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

	31/12/2014 RMB'000	31/12/2013 RMB'000
Milkable cows	4,347,114	3,780,863
Heifers and calves	2,183,700	2,173,500
Total dairy cows	6,530,814	5,954,363

20. BIOLOGICAL ASSETS *(continued)*

C - Value of dairy cows *(continued)*

	Heifers and calves RMB'000	Milkable cows RMB'000	Total RMB'000
Balance at 1 July 2013	2,367,300	3,097,708	5,465,008
Feeding cost	668,933	1,222,661	1,891,594
Transfer	(1,057,541)	1,057,541	—
Decrease due to disposal	(25,363)	(137,807)	(163,170)
Fair value of milk produced less costs to sell	—	(1,765,482)	(1,765,482)
Gains arising on initial recognition of raw milk at fair value less cost to sell at point of harvest	—	542,821	542,821
Gains/(loss) arising from changes in fair value less costs of dairy cows	220,171	(236,579)	(16,408)
Balance at 31 December 2013	2,173,500	3,780,863	5,954,363
Increase due to purchase	78,014	—	78,014
Feeding cost	1,289,577	2,943,477	4,233,054
Transfer	(1,434,483)	1,434,483	—
Decrease due to disposal	(209,913)	(252,158)	(462,071)
Fair value of milk produced less costs to sell	—	(4,609,719)	(4,609,719)
Gains arising on initial recognition of raw milk at fair value less cost to sell at point of harvest	—	1,666,242	1,666,242
Gains/(loss) arising from changes in fair value less costs of dairy cows	287,005	(616,074)	(329,069)
Balance at 31 December 2014	2,183,700	4,347,114	6,530,814

The Group's dairy cows were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory which comprises a group of independent professional valuers with experience and expertise in relation to biological assets valuation. Their team consists of professional valuers and agricultural experts who work together in a wide array of biological assets to ensure the reliability and fairness of their valuation results.

The fair value less costs to sell of the heifers and calves are determined with reference to the market-determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices of milkable cows are not available, JLL has applied the net present value approach to calculate the fair value less cost to sell of these items. 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 32.

20. BIOLOGICAL ASSETS *(continued)*

C - Value of dairy cows *(continued)*

As at 31 December 2014, the Group has pledged dairy cows with carrying amount of RMB3,316,177,000 (31 December 2013: RMB4,087,534,000) to banks to secure the general banking facilities granted to the Group (Note 25).

The aggregate gain or loss arising during the year ended 31 December 2014 on initial recognition of raw milk and from the change in fair value less costs to sell of dairy cows is analysed as follows:

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Gains arising on initial recognition of raw milk at fair value less cost to sell at the point of harvest	1,666,242	542,821
Loss arising from changes in fair value less costs to sell of dairy cows	(329,069)	(16,408)
	1,337,173	526,413

21. INVENTORIES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Feeds	542,961	642,913
Others	97,620	48,195
	640,581	691,108

22. TRADE AND OTHER RECEIVABLES

The Group allows credit period of 60 to 120 days to its trade customers.

The following is an analysis of trade receivables 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:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Trade receivables		
– within 120 days based on invoice date	636,715	462,775
Advances to suppliers	126,425	69,464
Interest receivables	22,850	8,190
Others	40,782	4,281
	826,772	544,710

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk and liquid milk products.

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The Group does not have any past due trade receivables at 31 December 2014 (31 December 2013: nil). Management closely monitors the credit quality of trade receivables and considers the trade receivables were at good credit quality and no impairment loss was recognised at 31 December 2014 (31 December 2013: nil).

As at 31 December 2014, the Group has pledged trade receivables with carrying amount of nil (31 December 2013: RMB110,000,000) to banks to secure the general banking facilities granted to the Group (Note 25).

23. PLEDGED BANK BALANCES AND CASH AND BANK BALANCES

Pledged bank balances

The pledged bank balances as at 31 December 2014 represented deposits pledged for bank borrowings. The pledged bank balances carried interest at prevailing market saving rates ranging from 0.35% to 3.75% (31 December 2013: 0.35% to 3.30%) per annum at 31 December 2014.

Cash and bank balances

Cash and bank balances comprised cash and short-term deposits with an original maturity of three months or less which were held with banks and carry interest at prevailing market saving rates ranging from 0.35% to 3.75% (31 December 2013: 0.35% to 3.00%) per annum at 31 December 2014.

Cash and bank balances at 31 December 2014 were denominated in United States Dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HK$"), Australia Dollar ("AUD") and RMB. RMB is not freely convertible in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

23. PLEDGED BANK BALANCES AND CASH AND BANK BALANCES *(continued)*

Cash and bank balances *(continued)*

Certain pledged bank balances, cash and bank balances that are denominated in currencies other than the functional currency of the relevant entities are set out below:

	31/12/2014 RMB'000	31/12/2013 RMB'000
USD	299,642	79,052
EUR	714	675
HK$	951	4,901
AUD	5,018	—

24. TRADE AND OTHER PAYABLES

The credit period granted by suppliers for trade purchases is generally 60 days. The following is an aged analysis of trade and bills payables at the end of the reporting period:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Trade payables		
Within 60 days based on invoice date	696,563	644,377
Over 60 days based on invoice date	40,786	38,307
Bill payables (Note)	104,827	130,500
	842,176	813,184
Payable for acquisition of property, plant and equipment	382,405	479,318
Accrued staff costs	56,960	45,321
Interest payable	56,480	35,447
Advance payments from customers	28,941	55,949
Others	36,041	45,031
	560,827	661,066
	1,403,003	1,474,250

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

25. BORROWINGS

	31/12/2014 RMB'000	31/12/2013 RMB'000
Bank borrowings	4,687,848	3,748,666
Unsecured borrowings	885,818	1,533,139
Secured borrowings (Note i)	3,335,030	1,964,527
Guaranteed borrowings (Note ii)	467,000	251,000
	4,687,848	3,748,666
Carrying amount repayable:		
Within one year	1,858,398	1,788,799
Between one to two years	792,538	1,042,337
Between two to five years	2,036,912	917,530
	4,687,848	3,748,666
Less: Amounts due within one year shown under current liabilities	(1,858,398)	(1,788,799)
	2,829,450	1,959,867

The bank borrowings comprise:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Fixed-rate borrowings	1,128,323	1,343,185
Variable-rate borrowings	3,559,525	2,405,481
	4,687,848	3,748,666

25. BORROWINGS *(continued)*

The effective interest rates, which are also equal to contracted interest rates, per annum at the end of the reporting period, are as follows:

	From 1 January 2014 to 31 December 2014	From 1 July 2013 to 31 December 2013
Fixed-rate borrowings	1.73%-6.90%	2.00%-6.90%
Variable-rate borrowings	2.15%-7.05%	2.15%-7.05%

As at 31 December 2014, bank borrowings denominated in RMB and USD are approximately RMB2,361,421,000 (31 December 2013: RMB3,263,273,000) and RMB2,326,427,000 (31 December 2013: RMB485,393,000) respectively. Interest rate of variable-rate borrowings are determined based on the borrowing rates announced by the People's Bank of China and the London Interbank Offered Rate.

Notes:

i. The loans were secured by:

   1) certain property, plant and equipment, land use rights, dairy cows and bank deposits owned by the Group as set out in Note 14, 15, 20, 22 and 23 respectively; and

   2) 100% share capital in Advanced Dairy Company (Luxemburg) Limited.

ii. The balances were guaranteed by the Company's subsidiaries.

26. SHORT-TERM DEBENTURES

	31/12/2014 RMB'000	31/12/2013 RMB'000
Short term debentures - unsecured	1,100,000	1,200,000

Notes:

i. On 25 April 2014, the Company issued short-term debenture with a principal amount of RMB700,000,000 through China Merchants Bank Co., Ltd., the leading underwriter, with maturity of one year. The short term debenture bears a fixed interest rate of 6.00% per annum and is discounted at effective interest rate of 6.42% per annum after taking into account the effect of issue costs.

ii. On 23 May 2014, the Company issued short-term debenture with a principal amount of RMB400,000,000 through CITIC Securities Co., Ltd., the leading underwriter, with maturity of one year. The short term debenture bears a fixed interest rate of 6.30% per annum and is discounted at effective interest rate of 6.62% per annum after taking into account the effect of issue costs.

iii. On 27 March 2013, the Company issued short-term debenture with a principal amount of RMB700,000,000 through China Merchants Bank Co., Ltd., the leading underwriter, with maturity of one year. The short term debenture bears a fixed interest rate of 4.99% per annum and is discounted at effective interest rate of 5.41% per annum after taking into account the effect of issue costs. It was repaid on 27 March 2014.

iv. On 6 December 2013, the Company issued short-term debenture with a principal amount of RMB500,000,000 through China Construction Bank Co., Ltd., the leading underwriter, with maturity of six months. The short term debenture bears a fixed interest rate of 6.90% per annum. It was repaid on 9 June 2014.

27. DEFERRED INCOME

	Arising from government grants RMB'000
Balance at 1 July 2013	117,212
Addition	12,805
Released to income	(5,155)
Balance at 31 December 2013	124,862
Addition	7,016
Released to income	(11,457)
Balance at 31 December 2014	120,421

27. DEFERRED INCOME *(continued)*

	31/12/2014 RMB'000	31/12/2013 RMB'000
Analysed for reporting purpose as:		
– Current portion	11,493	10,913
– Non-current portion	108,928	113,949
	120,421	124,862

Deferred income represents government grants obtained in relation to the construction and acquisition of property, plant and equipment. Government grants are included in the consolidated statement of financial position as deferred income and credited to the profit or loss on a systematic basis over the useful lives of the related assets.

28. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised		
At 31 December 2013 and at 31 December 2014	10,000,000	1,000,000
At 1 July 2013	4,818,536	481,854
Issue of ordinary shares upon exercise of share options (Note 29(c))	8,803	880
At 31 December 2013 and at 31 December 2014	4,827,339	482,734

	31/12/2014 RMB'000	31/12/2013 RMB'000
Presented as	415,261	415,261

29. SHARE-BASED PAYMENT TRANSACTIONS

(a) The Company's Share Option Scheme I

The Company's share option scheme I (the "Share Option Scheme I") was adopted pursuant to a resolution passed on 17 November 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The maximum number of shares that may be granted under the Share Option Scheme I and other share option schemes shall not exceed 20% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Rules Governing the Listing of Securities on the Stock Exchange, the board of directors of the Company (the "Board") shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

On 12 December 2012, the Company announced that a total of 40,000,000 share options (the "Share Options I") to subscribe for shares of HK$0.10 each in the capital of the Company (the "Shares") were granted by the Company to two directors and 128 eligible employees of the Company (collectively, the "Scheme I Grantees"), subject to acceptance of the Grantees, under the Company's Share Option Scheme I adopted by the Company on 17 November 2011.

The Share Options I shall entitle the Scheme I Grantees to subscribe for an aggregate of 40,000,000 new shares upon the exercise of the Share Options I in full at an exercise price of HK$2.89 per share.

Pursuant to the rules of the Share Option Scheme I, the Share Options I granted to each of the Grantees are deemed to be divided into three tranches, each of which consists of one third of the Granted Options I and will be associated with a performance target within a specific financial period (the "Performance Target I"). The non-market based Performance Target I has been determined by the Board and specified in the offer letter to each of the Grantees. The financial period for the first tranche is the 12 months ended 30 June 2013; the financial period for the second tranche will be the 12 months ending 30 June 2014; and the financial period for the third tranche will be the 12 months ending 30 June 2015. Each tranche of the Share Options I after meeting the respective Target Performance shall vest on a one-off basis within 30 days after the date of publication of the results announcement for the six months ending 30 June 2015. Any of the Share Options I not vested as a result of non-fulfillment of the Performance Target I at the end of the respective specific financial period shall automatically lapse.

Out of the aggregate of 40,000,000 Share Options I, 5,000,000 Share Options I were granted to two directors of the Company ("Share Option A") and the remaining Share Options I were granted to 128 eligible employees ("Share Option B"), respectively. Mr. Sun Yugang awarded under Share Option B was appointed as a director with effect on 28 June 2013.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(a) The Company's Share Option Scheme I *(continued)*

Other information of the Share Options I is set out below:

Exercise price of the Share Options I:	HK$2.89
Closing price of the Shares on the date of grant:	HK$1.98
Validity period of the Share Options I:	Five (5) years on the date when the Options become vested

The following table discloses movements of the Share Options I during the reporting period:

Category	Outstanding as at 1 January 2014	Lapsed* during the year	Cancelled** during the year	Outstanding as at 31 December 2014
Share Option A	4,780,267	—	—	4,780,267
Share Option B	28,847,506	(176,667)	(1,344,923)	27,325,916
	33,627,773	(176,667)	(1,344,923)	32,106,183

Category	Outstanding as at 1 July 2013	Lapsed* during the period	Cancelled** during the period	Outstanding as at 31 December 2013
Share Option A	4,780,267	—	—	4,780,267
Share Option B	31,329,718	—	(2,482,212)	28,847,506
	36,109,985	—	(2,482,212)	33,627,773

* Share Options I were lapsed due to non-fulfillment of the Performance Target I during the related period.

** Share Options I were cancelled due to the relevant Scheme I Grantees' resignation from the Group.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(a) The Company's Share Option Scheme I *(continued)*

The fair values of Share Option A and Share Option B determined at the dates of grant using the Binomial Model option pricing model were HK$3,322,000 (equivalent to RMB2,696,000) and HK$21,626,000 (equivalent to RMB17,547,000) respectively.

The following assumptions were used to calculate the fair values of Share Options I:

	Share Options A	Share Options B
Grant date share price	HK$1.97	HK$1.97
Exercise price	HK$2.89	HK$2.89
Expected volatility	41.79%	41.79%
Option life	Five years	Five years
Dividend yield	—	—
Risk-free interest rate	0.4%	0.4%
Sub-optional factor	2.8	2.2

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Share Options I.

The Company recognised a share option expense of RMB5,694,000 during the current year (six months ended 31 December 2013: RMB2,764,000). None of the Share Options I was exercisable as at 31 December 2014.

(b) The Company's Share Option Scheme II

The Company's share option scheme II (the "Share Option Scheme II") was adopted pursuant to a resolution passed on 5 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The maximum number of shares that may be granted under the Share Option Scheme II and other share option schemes shall not exceed 20% of the number of issued shares of the Company as at the date of 5 June 2014. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Rules Governing the Listing of Securities on the Stock Exchange, the board of directors of the Company (the "Board") shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

On 6 June 2014, the Company announced that a total of 80,000,000 share options (the "Share Options II") to subscribe for the shares were granted by the Company to three directors and 148 eligible employees of the Company (collectively, the "Scheme II Grantees"), subject to acceptance of the Grantees, under the Company's share option scheme II adopted by the Company on 5 June 2014.

The Share Options Scheme II shall entitle the Grantees to subscribe for an aggregate of 80,000,000 new shares upon the exercise of the Share Options Scheme II in full at an exercise price of HK$3.38 per share.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(b) The Company's Share Option Scheme II *(continued)*

Pursuant to the rules of the Share Option Scheme II, the Share Options II granted to each of the Grantees are deemed to be divided into three tranches, each of which consists of one third of the Share Options II and will be associated with a performance target within a specific financial period (the "Performance Target II"). The non-market based Performance Target II has been determined by the Board and specified in the offer letter to each of the Grantees. The financial period for the first tranche is the financial year ended 31 December 2014; the financial period for the second tranche will be the financial year ending 31 December 2015; and the financial period for the third tranche will be the financial year ending 31 December 2016. Each tranche of the Share Options II after meeting the respective Performance Target II shall vest on a one-off basis within 30 days after the date of publication of the results announcement for the financial year ending 31 December 2016. Any of the Share Options II not vested as a result of non-fulfillment of the Performance Target II at the end of the respective specific financial period shall automatically lapse.

Out of the aggregate of 80,000,000 Share Options II, 17,000,000 Share Options II were granted to three directors of the Company ("Share Option C") and the remaining Share Options II were granted to 148 eligible employees ("Share Option D"), respectively.

Other information of the Share Options II is set out below:

Exercise price of the Share Options II:	HK$3.38
Closing price of the Shares on the date of grant:	HK$3.38
Validity period of the Share Options II:	Five (5) years on the date when the Options became vested

The following table discloses movements of the Share Options II during the reporting period:

Category	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed* during the year	Cancelled** during the year	Outstanding as at 31 December 2014
Share Option C	–	17,000,000	–	–	–	17,000,000
Share Option D	–	63,000,000	–	(151,317)	(2,000,000)	60,848,683
	–	80,000,000	–	(151,317)	(2,000,000)	77,848,683

* Share Options II were lapsed due to non-fulfillment of the Performance Target II during the related period.

** Share Options II were cancelled due to the relevant Scheme II Grantees' resignation from the Group.

The fair values of Share Option C and Share Option D determined at the dates of grant using the Binomial Option Pricing Model were HK$25,827,000 (equivalent to RMB20,530,000) and HK$83,969,000 (equivalent to RMB66,747,000) respectively.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(b) The Company's Share Option Scheme II *(continued)*

The following assumptions were used to calculate the fair values of Share Options II:

	Share Options C	Share Options D
Grant date share price	HK$3.38	HK$3.38
Exercise price	HK$3.38	HK$3.38
Expected volatility	43.55%	43.55%
Option life	Five years	Five years
Dividend yield	—	—
Risk-free interest rate	1.75%	1.75%
Sub-optional factor	2.2	1.6

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Share Options II.

The Company recognised a share option expense of RMB26,204,000 during the current year (2013: nil). None of the Share Options II was exercisable as at 31 December 2014.

(c) Modern Farm Option Scheme

The option scheme of Modern Farming Group Co., Ltd. ("Modern Farm") (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.

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.

29. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(c) 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 (HK$1 = 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 year:

Category	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2014
Management Options	60,073,756	—	—	—	—	60,073,756

Category	Outstanding as at 1 July 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 December 2013
Management Options	68,876,774	—	(8,803,018)	—	—	60,073,756

None of share options was exercised during the year ended 31 December 2014. During the six months ended 31 December 2013, 8,803,018 share options of the Management Options were exercised. Accordingly, share options reserve of RMB914,000 in relation to the 8,803,018 share options was transferred to share premium for the six months ended 31 December 2013 as a result of the exercise.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged in current year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, and short-term debenture as disclosed in Note 25 and Note 26 respectively, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group's management reviews the capital structure on a regular basis. As part of the review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2014 RMB'000	31/12/2013 RMB'000
Financial assets:		
Loans and receivables (including cash and bank balances)	1,870,220	1,274,822
Other financial assets	93,743	34,517
Financial liabilities:		
Amortised cost	7,161,910	6,366,967
Other financial liabilities	240,842	76,148

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank balances, cash and bank balances, other financial assets, trade and other payables, amount due to an associate, borrowings, short-term debenture, other financial liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's objectives, policies and processes managing the risk and the methods used to measure the risk remains unchanged in current year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds of the Group is limited because the counterparties are authorised banks in the PRC.

The Group has concentration of credit risk as over 31% of total trade receivables as at 31 December 2014 (31 December 2013: 47%), was receivable due from, the Mengniu Group (defined in Note 36), the Group's largest customer and a substantial shareholder of the Company.

31. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on bank balances, pledged bank balances and bank borrowings which carry interest at variable interest rates.

The Group's fair value interest rate risk relates primarily to fixed-rate bank and short-term debenture. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to loan interest rates for non-derivative instruments at the end of the reporting period. The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank borrowings. Bank balances are excluded from the sensitivity analyses since they are not considered sensitive to fluctuation in interest rate. The analysis is prepared assuming the variable interest rate bank borrowings were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of reporting period, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's profit for the current year would decrease/increase by RMB14,932,000 (31 December 2013: RMB4,263,500).

Liquidity risk

The Group had net current liabilities of approximately RMB1,736,788,000 as at 31 December 2014 (31 December 2013: RMB2,446,062,000). The Directors closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, when necessary, to ensure the Group has sufficient before funds to enable the Group to meet its financial obligations. In addition, the secured credit facilities of the Group amounted to approximately RMB8,089,553,000 (including credit facilities that will expire after 31 December 2015 of RMB2,271,570,000) which remains unutilised as at 31 December 2014. In view of the above, the Directors consider the Group's liquidity risk is significantly reduced.

The Group finances their operations by using a combination of borrowings and equity. Adequate lines of credit are maintained to ensure necessary funds are available when required. The Directors monitor the liquidity position of the Group on a periodical basis to ensure the availability of sufficient liquid funds to meet all obligations. With reference to the existing unutilised facilities and renewal of facilities subsequent to the end of the reporting period, the Directors consider the liquidity and source of capital for the daily operation are sufficient.

The following table details the Group's remaining contractual maturity profit for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

31. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Interest rates %	Within 180 days RMB'000	181 days to 365 days RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2014							
Non-interest bearing		1,374,062	–	–	–	1,374,062	1,374,062
Fixed interest rate borrowings from bank	1.73-6.90	549,148	611,311	–	–	1,160,459	1,128,323
Short-term debentures	6.00-6.30	1,131,329	–	–	–	1,131,329	1,100,000
Variable interest rate borrowings	2.15-7.05	325,298	600,114	952,867	2,267,750	4,146,029	3,559,525
Other financial liabilities		–	–	–	–	–	240,842
		3,379,837	1,211,425	952,867	2,267,750	7,811,879	7,402,752
As at 31 December 2013							
Non-interest bearing		1,418,301	—	—	—	1,418,301	1,418,301
Fixed interest rate borrowings from bank	2.00-6.90	323,995	766,065	291,848	—	1,381,908	1,343,185
Short-term debentures	4.99-6.90	1,228,652	—	—	—	1,228,652	1,200,000
Variable interest rate borrowings	2.15-7.05	394,214	470,201	868,789	1,032,128	2,765,332	2,405,481
Other financial liabilities	—	—	—	—	—	—	76,148
		3,365,162	1,236,266	1,160,637	1,032,128	6,794,193	6,443,115

The amounts included above for variable interest rate borrowings are subject to change if changes in variable interest rates differ from these estimates of interest rates determined at the end of the reporting period.

Foreign currency risk

The Group collects the sales of milk produced in RMB and incurs most of the expenditures as well as capital expenditures in RMB.

The major asset denominated in foreign currency is cash and bank balances disclosed in Note 23. The major liability denominated in foreign currency is bank borrowings disclosed in Note 25.

The Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

31. FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk *(continued)*

Foreign currency sensitivity analysis

2% (31 December 2013: 2%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

At the end of the reporting period, if the exchange rate had been strengthen/weaken in RMB against US$, EUR, AUD and HK$ by 2% (31 December 2013: 2%), and all other variables were held constant, the Group's profit for the current year would increase/decrease by RMB40,402,000 (six month ended 31 December 2013: RMB8,015,000).

32. 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)	Fair value as at 30 December 2014 RMB'000	Fair value as at 31 December 2013 RMB'000	Fair value hierarchy
Biological assets	6,530,814	5,954,363	level 3
Other financial assets	93,743	34,517	level 3
Other financial liabilities	(240,842)	(76,148)	level 3

32. FAIR VALUE MEASUREMENTS *(continued)*

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Put option and Call option classified as derivative financial instruments	Binomial Option Pricing Model	Expected volatility and risk-free interest of the option as disclosed in Note 19.	An increase in expected volatility of the option would result in a smaller percentage increase in the fair value measurement of Put Option and Call Option, and vice versa. An increase in interest rate of the option would result in a smaller percentage increase in the fair value measurement of Put Option and Call Option, and vice versa.
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 RMB24,500 per head at 31 December 2014 (2013: RMB24,300).	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.
	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.	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 RMB6,052 at 31 December 2014 (2013: RMB5,563); average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB16,222 at 31 December 2014 (2013: RMB15,036).	An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in a smaller percentage increase/decrease in the fair value measurement of the heifers and calves older/younger than 14 months old, and vice versa.

32. FAIR VALUE MEASUREMENTS *(continued)*

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

Valuation techniques used in fair value measurements *(continued)*

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
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 RMB2.37 for the years ended 31 December 2014 (six months ended 31 December 2013: RMB2.40), 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 higher percentage decrease in the fair value measurement of the milkable cows, and vice versa. (Note i)
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield at each lactation cycle is ranged from 24.0 kg to 25.0 kg for the year ended 31 (six months ended 31 December 2013: 22.0 kg to 23.0 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 slight higher percentage increase in the fair value measurement of the milkable cows, and vice versa.
		Estimated local future market prices for raw milk are RMB4.80 per kg at 31 December 2014, (2013: RMB4.75).	A slightly increase in the estimated average selling price of raw milk used would result in a significant percentage increase in the fair value measurement of the milkable cows, and vice versa. (Note ii)
		Discount rate for estimated future cash flow used is 13.07% at 31 December 2014 (2013: 12.48%).	An increase in the estimated discount rate used would result in a higher percentage decrease in the fair value measurement of the milkable cows, and vice versa. (Note iii)

Notes:

i. If the estimated feed costs per kg of raw milk used were 3% higher/lower while all the other variables were held constant, the carrying amount of the valuation result would decrease/increase by RMB132,421,000 (31 December 2013: decrease/increase by RMB125,336,000).

ii. If the estimated average selling price of raw milk used were 3% higher/lower while all the other variables were held constant, the carrying amount of the valuation result would increase/decrease by RMB264,302,000 (31 December 2013: increase/decrease by RMB242,767,000).

iii. If the estimated discount rate used were 3% higher/lower while all the other variables were held constant, the carrying amount of the valuation result would decrease/increase by RMB26,812,000/RMB26,452,000 (31 December 2013: decrease/increase by RMB24,209,000/RMB24,523,000).

32. FAIR VALUE MEASUREMENTS *(continued)*

Reconciliation of Level 3 fair value measurements

Biological assets

The reconciliations from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in Note 20.

Financial instruments

	Call Option RMB'000	Put Option RMB'000
At 1 January 2014	34,517	(76,148)
Gain (loss) in profit or loss	59,226	(164,694)
At 31 December 2014	93,743	(240,842)

	Call Option RMB'000 (Unaudited)	Put Option RMB'000 (Unaudited)
At 1 July 2013	—	—
Gain (loss) in profit or loss	34,517	(76,148)
At 31 December 2013	34,517	(76,148)

Fair value losses on the derivative financial instruments are included in other gain and loss in the consolidated statement of profit or loss and other comprehensive income.

33. DISPOSAL OF A SUBSIDIARY

On 31 December 2014, the Group disposed of its 56% equity interest in Modern Farm (Inner Mongolia) Dairy Product Sales Co., Ltd, to the non-controlling shareholder of Modern Farm (Inner Mongolia) Dairy Product Sales Co., Ltd. The subsidiary was mainly engaged in sales of liquid milk products.

	At date of disposal RMB'000
Consideration received	
Consideration received in cash and cash equivalents	1,680
Analysis of asset and liabilities over which control was lost:	
Cash and cash equivalents	99
Trade and other receivables	35
Inventories	290
Property plant and equipment	132
Trade and other payables	(1,534)
Net liabilities disposed of	(978)
Gain on disposal of a subsidiary	
Consideration received	1,680
Net liabilities disposed of	978
Non-controlling interests	(432)
Gain on disposal	2,226
Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	1,680
Less: cash and cash equivalent balances disposed of	(99)
	1,581

34. 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 vehicles rented under non-cancellable operating leases which fall due as follows:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Within one year	1,197	579
In the second to fifth year inclusive	729	364
Over five years	—	748
	1,926	1,691

Operating lease payments represent rentals payable by the Group for property, plant and vehicles which are negotiated for terms ranging from 2 to 5 years and rentals are fixed.

The minimum lease payments paid under operating lease during the current period are approximately RMB7,437,000 (six months ended 31 December 2013: RMB8,451,000).

35. CAPITAL COMMITMENTS

	31/12/2014 RMB'000	31/12/2013 RMB'000
Capital expenditure contracted but not provided for:		
in respect of acquisition of property, plant and equipment	139,351	78,527
in respect of capital contribution to a joint venture	66,085	120,719
	205,436	199,246

36. RELATED PARTY TRANSACTIONS

a. Names and relationship with related parties are as follows:

Name	Relationship
Qiushi	An associate of the Group
Modern Farm (Shanghe) Co., Ltd.	A subsidiary of joint ventures
Modern Farm (Jinan) Co., Ltd.	A subsidiary of joint ventures
China Mengniu Dairy Co., Ltd ("Mengniu Company")*	A shareholder with significant influence over the Company
Inner Mongolia Mengniu Dairy (Group) Company Limited**	A subsidiary of Mengniu Company
Inner Mongolia Mengniu Dairy Keerqin Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy Taian Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Maanshan) Co., Ltd.**	A subsidiary of Mengniu Company
Hubei Frealth Dairy Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Shangzhi) Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Chabei) Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Baoji) Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy Meishan Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Saibei Dairy Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Suqian) Co., Ltd.**	A subsidiary of Mengniu Company
Shijiazhuang Junlebao Dairy Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Wuhan) Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu Dairy (Tongliao) Co., Ltd.**	A subsidiary of Mengniu Company
Inner Mongolia Mengniu Hi-tech Dairy Co., Ltd.	A subsidiary of Mengniu Company
Wuhan Mengniu Dairy Co., Ltd.**	A subsidiary of Mengniu Company
Mengniu HiTech Dairy (Maanshan) Co., Ltd. **	A subsidiary of Mengniu Company

* Mengniu Company is principally engaged in milk processing industry in the PRC and listed on the Main Board of the Stock Exchange.

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

36. RELATED PARTY TRANSACTIONS *(continued)*

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

Amounts due from

	31/12/2014 RMB'000	31/12/2013 RMB'000
Mengniu Group		
Trade and other receivable		
Within 120 days based on invoice date	197,657	215,356
Modern Farm (Shanghe) Co., Ltd.		
Trade receivable	27,571	—
Modern Farm (Jinan) Co., Ltd.		
Trade receivable	236	—

Amounts due to

	31/12/2014 RMB'000	31/12/2013 RMB'000
Mengniu Group		
Advanced from customer	22,661	46,101
Qiushi		
Trade payable		
Within 60 days based on invoice date	81,142	27,820
Bill payable	—	60,000
	81,142	87,820
Modern Farm (Shanghe) Co., Ltd.		
Other payable	12,208	—

36. RELATED PARTY TRANSACTIONS *(continued)*

c. During the reporting period, the Group had the following transactions with related parties

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Sales of raw milk to the Mengniu Group	3,006,934	1,345,269
Processing liquid milk products for the Mengniu Group	—	854
	3,006,934	1,346,123
Purchase of forage grass from Qiushi	328,074	99,471
Disposal of diary cows to Modern Farm (Shanghe) Co., Ltd.	165,192	—

The sales and purchase prices were based on mutually agreed terms.

d. Compensation of key management personnel

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

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB'000
Salaries and other benefits	7,803	2,622
Recognition of equity-settled share-based payment	9,633	706
Retirement benefits scheme contributions	179	67
	17,615	3,395

37. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Fully paid capital/ registered capital	Equity interest attributable to the Company as at				Place of operation	Principal activities
			31 December 2014		31 December 2013			
			Directly %	Indirectly %	Directly %	Indirectly %		
Advanced Dairy Company (Luxemburg) Limited ("Lux")	Luxemburg	USD138,500,000	100	–	100	—	Luxemburg	Investment holding
Aquitair Holdings Limited ("Aquitair")	Republic of Ireland	USD472,307,046	–	100.00	—	100.00	Republic of Ireland	Investment holding
Modern Farm*	PRC	RMB563,301,046	–	97.87	—	97.87	PRC	Production of milk
Shandong Mengniu International Trading Co., Ltd.#	PRC	RMB20,000,000	–	–	—	97.87	PRC	Import and export agency services
Helingeer Modern Farming Co., Ltd.#	PRC	RMB 93,670,447	–	97.87	—	97.87	PRC	Production of milk
Zhangjiakou Saibei Modern Farm Co., Ltd.#	PRC	RMB90,000,000	–	97.87	—	97.87	PRC	Production of milk
Wenshang Modern Farm Co., Ltd.#	PRC	RMB55,000,000	–	97.87	—	97.87	PRC	Production of milk
Shangzhi Modern Farm Co., Ltd.#	PRC	RMB55,000,000	–	97.87	—	97.87	PRC	Production of milk
Hongya Modern Farm Co., Ltd.#	PRC	RMB10,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farming Group (Anhui) Sijibao Organic Fertiliser Co., Ltd.#	PRC	RMB10,000,000	–	97.87	—	97.87	PRC	Production of fertilisers
Modern Farming (Chabei) Co., Ltd.#	PRC	RMB8,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farming (Baoji) Co., Ltd.#	PRC	RMB10,000,000	–	97.87	—	97.87	PRC	Production of milk
Maanshan Modern Farming Feedstock Co., Ltd.#	PRC	RMB18,000,000	–	97.87	—	97.87	PRC	Sales of feeds
Modern Farm (Feidong) Co., Ltd. #	PRC	RMB50,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farm (Inner Mongolia) Dairy Product Sales Co., Ltd.# (Note ii)	PRC	N/A	–	–	—	54.81	PRC	Sales of milk
Baoji Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Hongya Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Shangzhi Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Wenshang Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Zhangjiakou Chabei Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Zhangjiakou Saibei Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers

37. SUBSIDIARIES *(continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Fully paid capital/ registered capital	Equity interest attributable to the Company as at				Place of operation	Principal activities
			31 December 2014		31 December 2013			
			Directly %	Indirectly %	Directly %	Indirectly %		
Modern Farming (Tongshan) Co., Ltd.#	PRC	RMB30,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farming (Tongliao) Co., Ltd.#	PRC	RMB30,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farm (Chabei) Hengsheng Co., Ltd.#	PRC	RMB5,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farm (Bengbu) Co., Ltd.#	PRC	RMB30,000,000	–	97.87	—	97.87	PRC	Production of milk
Modern Farm (Anhui) Dairy Product Sales Co., Ltd.	PRC	RMB45,000,000	–	53.83	—	53.83	PRC	Sales of milk
Tongshan Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Tongliao Sijibao Organic Fertiliser Co., Ltd.# (Note i)	PRC	N/A	–	–	—	97.87	PRC	Production of fertilisers
Modern Farm (Shuangcheng) Co., Ltd. #	PRC	RMB20,000,000	–	97.87	—	—	PRC	Production of milk
China Modern Dairy I Ltd.	Cayman Islands	USD1.00	100.00	–	—	—	Cayman Islands	Investment holding
China Modern Dairy II Ltd	British Virgin Islands	USD1.00	–	100.00	—	—	British Virgin Islands	Investment holding
China Leading Dairy Ltd.	Hong Kong	HK$1.00	–	100.00	—	—	Hong Kong	Investment holding
Modern Farming (Anhui) Dairy Co.,Ltd	PRC	RMB1,021,153	–	100.00	—	—	PRC	Sales of milk
Modern Farm (Bengbu) Dairy Product Sales Co., Ltd.	PRC	RMB5,000,000	–	53.83	—	—	PRC	Sales of milk
Modern Farm (Saibei) Dairy Product Sales Co., Ltd.	PRC	RMB5,000,000	–	53.83	—	—	PRC	Sales of milk

\# These entities were established in PRC as domestic company and wholly owned by Modern Farm.

* The entity was established in PRC and became a sino-foreign investment enterprise.

Notes:

i. Baoji Sijibao Organic Fertiliser Co., Ltd., Hongya Sijibao Organic Fertiliser Co., Ltd., Shangzhi Sijibao Organic Fertiliser Co., Ltd, Wenshang Sijibao Organic Fertiliser Co., Ltd., Zhangjiakou Chabei Sijibao Organic Fertiliser Co., Ltd., Zhangjiakou Saibei Sijibao Organic Fertiliser Co., Ltd., Tongshan Sijibao Organic Fertiliser Co., Ltd., and Tongliao Sijibao Organic Fertiliser Co., Ltd. were liquidated during the current year.

ii. Modern Farm (Inner Mongolia) Dairy Product Sales Co., Ltd. was disposed in 2014 (Note 33).

iii. None of the subsidiaries have issued any debt securities at 31 December 2014 and 31 December 2013 or at any time during the year/period.

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2014 RMB'000	31/12/2013 RMB'000	31/12/2014 RMB'000	31/12/2013 RMB'000	31/12/2014 RMB'000	31/12/2013 RMB'000
Modern Farm	PRC	2.13%	2.13%	27,571	15,770	145,713	117,710

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	31/12/2014 RMB'000	31/12/2013 RMB'000
Current assets	2,505,702	2,017,874
Non-current assets	11,077,115	10,084,309
Current liabilities	(4,414,604)	(4,483,183)
Non-current liabilities	(3,579,344)	(2,968,426)
Equity attributable to owners of the Company	5,443,494	4,532,864
Non-controlling interests	145,713	117,710

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(continued)*

	For the year ended 31 December 2014 RMB'000	For the six months ended 31 December 2013 RMB' 000
Revenue	5,026,706	1,901,248
Expenses	4,089,362	1,500,205
Profit for the year/period	937,344	401,043
Profit attributable to owners of the Company	909,773	385,273
Profit attributable to the non-controlling interests	27,571	15,770
Profit for the year/period	937,344	401,043
Dividend paid to shareholder	—	—
Net cash inflow from operating activities	1,616,200	228,657
Net cash outflow from investing activities	(1,806,991)	(754,934)
Net cash inflow from financing activities	336,303	523,080
Net cash inflow	145,512	(3,197)

39. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	31/12/2014 RMB'000	31/12/2013 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	3,185,082	3,185,082
Investment in joint ventures	95,208	32,829
Amounts due from a subsidiary	2,560,400	896,357
Other financial assets	93,743	34,517
	5,934,433	4,148,785
CURRENT ASSETS		
Other receivables	36,581	368
Cash and bank balances	86,591	11,789
	123,172	12,157
CURRENT LIABILITIES		
Other payable	14,676	6,677
	14,676	6,677
NET CURRENT ASSETS	108,496	5,480
TOTAL ASSETS LESS CURRENT LIABILITIES	6,042,929	4,154,265
CAPITAL AND RESERVES		
Share capital	415,261	415,261
Reserves	3,521,906	3,662,856
	3,937,167	4,078,117
NON-CURRENT LIABILITIES		
Borrowings – due after one year	1,864,920	—
Other financial liabilities	240,842	76,148
	2,105,762	76,148
	6,042,929	4,154,265

39. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY *(continued)*

Movement in equity

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note)	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 July 2013	414,564	2,403,730	1,382,199	10,798	(84,788)	4,126,503
Loss and total comprehensive expense for the period	—	—	—	—	(57,139)	(57,139)
Recognition of equity-settled share-based payment (Note 29(a))	—	—	—	2,764	—	2,764
Exercise of share options (Note 29(c))	697	6,206	—	(914)	—	5,989
Balance at 31 December 2013	415,261	2,409,936	1,382,199	12,648	(141,927)	4,078,117
Loss and total comprehensive loss for the year	–	–	–	–	(172,848)	(172,848)
Recognition of equity-settled share-based payment (Note 29(a/b))	–	–	–	31,898	–	31,898
Balance at 31 December 2014	415,261	2,409,936	1,382,199	44,546	(314,775)	3,937,167

Note: Other reserve represented the contribution from the owners of the Company for the operation of the Group.

40. EVENTS AFTER THE REPORTING PERIOD

Except for the proposed final dividend disclosed in Note 12, there is no other significant events after the reporting period.

	For the year ended 31 December 2014 RMB'000 (Audited)	For the year ended 31 December 2013 RMB'000 (Unaudited)	For the 6 months ended 31 December 2013 RMB'000 (Audited)
Revenue	5,026,706	3,289,281	1,901,248
Cost of sales before biological fair value adjustment	(3,161,345)	(2,304,022)	(1,280,342)
Biological fair value adjustment included in cost of sales	(1,666,242)	(860,258)	(542,821)
Loss arising from changes in fair value less costs to sell of dairy cows	(329,069)	(82,751)	(16,408)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	1,666,242	860,258	542,821
Other income	40,213	69,505	15,902
Selling and distribution costs	(111,909)	(56,845)	(33,595)
Administrative expenses	(214,561)	(151,820)	(84,678)
Share of loss of an associate	(6,791)	(25)	(872)
Share of profit (loss) of joint ventures	7,004	(287)	(287)
Other gains and losses	(209,648)	(33,940)	(37,562)
Other expenses	(4,635)	(3,148)	(769)
Profit before finance costs and tax	1,035,965	725,948	462,637
Finance costs	(265,601)	(208,383)	(113,505)
Profit before tax	770,364	517,565	349,132
Income tax charge	(7,476)	(10,571)	(5,875)
Profit and total comprehensive income for the year/period	762,888	506,994	343,257
Profit and total comprehensive income attributable to:			
Owners of the Company	735,317	481,050	327,487
Non-controlling interests	27,571	25,944	15,770
	762,888	506,994	343,257
Earnings per share (RMB)			
Basic (cents)	15.23	9.99	6.79
Diluted (cents)	15.08	9.89	6.72

	From 1 July 2013 to 31 December 2014 RMB'000	From 1 July 2012 to 30 June 2013 RMB'000	From 1 July 2011 to 30 June 2012 RMB'000	From 1 July 2010 to 30 June 2011 RMB'000
Results				
Sales of milk produced	1,901,248	2,480,561	1,677,615	1,113,354
(Loss)/gain arising from changes in fair value less costs to sell of dairy cows	(16,408)	(38,599)	131,481	55,538
Other income	15,902	106,343	116,551	101,850
Farm operating expenses	(1,132,588)	(1,655,803)	(1,148,697)	(730,307)
Employee benefits expenses	(115,573)	(170,847)	(127,989)	(89,649)
Depreciation	(91,482)	(135,472)	(94,798)	(67,304)
Share of (loss)/profit of an associate	(872)	3,371	1,983	—
Share of loss of a joint venture	(287)	—	—	—
Net foreign exchange gain/(loss)	4,855	9,127	(4,335)	(17,367)
Other gains and losses	(42,417)	(2,400)	(1,052)	(1,197)
Other expenses	(59,741)	(92,555)	(71,985)	(61,871)
Profit before finance costs and tax	462,637	503,726	478,774	303,047
Finance costs	(113,505)	(153,679)	(71,323)	(59,141)
Profit before tax	349,132	350,047	407,451	243,906
Income tax expense	(5,875)	(8,051)	(143)	(8)
Profit and total comprehensive income for the period/year	343,257	341,996	407,308	243,898
Attributable to:				
Equity shareholders of the Company	327,487	323,832	398,482	224,605
Minority interests	15,770	18,164	8,826	19,293
Profit and total comprehensive income for the period/year	343,257	341,996	407,308	243,898
Earnings per share (RMB)				
Basic (cents)	6.79	6.74	8.30	5.20
Diluted (cents)	6.72	6.67	8.22	5.15

	31/12/2014 RMB'000	31/12/2013 RMB'000	30/6/2013 RMB'000	30/6/2012 RMB'000	30/6/2011 RMB'000
Assets and liabilities					
Property, plant and equipment	4,457,970	4,032,642	3,772,270	2,964,585	2,221,265
Land use rights	64,868	66,261	67,098	67,577	62,863
Goodwill	310,426	310,426	310,426	310,426	310,426
Interest in an associate	18,931	25,722	26,594	15,483	—
Interest in a joint venture	95,208	32,829	—	—	—
Long-term prepaid rentals	—	—	—	65	130
Deposit for acquisition of biological assets	—	—	—	9,024	1,094
Biological assets	6,530,814	5,954,363	5,465,008	4,185,600	2,651,407
Other financial assets	93,743	34,517	—	—	—
Net current (liabilities) assets	(1,736,788)	(2,446,062)	(1,777,128)	(402,045)	868,197
Total assets less current liabilities	9,835,172	8,010,698	7,864,268	7,150,715	6,115,382
Non-current liabilities	(3,179,220)	(2,149,964)	(2,355,544)	(2,017,999)	(1,392,674)
NET ASSETS	6,655,952	5,860,734	5,508,724	5,132,716	4,722,708
Capital and reserves					
Share capital	415,261	415,261	414,564	413,075	413,075
Reserves	6,094,978	5,327,763	4,992,220	4,653,415	4,254,933
Total equity attributable to equity shareholders of the Company	6,510,239	5,743,024	5,406,784	5,066,490	4,668,008
Minority interests	145,713	117,710	101,940	66,226	54,700
	6,655,952	5,860,734	5,508,724	5,132,716	4,722,708

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