China Modern Dairy Holdings Ltd.
中國現代牧業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1117

MODERN FARMING

现代牧业

INTERIM REPORT

2012

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. DENG Jiuqiang
Ms. GAO Lina
Mr. HAN Chunlin

Non-executive Directors

Mr. WOLHARDT Julian Juul
Mr. HUI Chi Kin, Max
Mr. LEI Yongsheng

Independent non-executive Directors

Prof. LI Shengli
Prof. GUO Lianheng
Mr. LEE Kong Wai, Conway

AUDIT COMMITTEE

Mr. LEE Kong Wai, Conway *(Chairman)*
Mr. HUI Chi Kin, Max
Prof. GUO Lianheng

REMUNERATION COMMITTEE

Mr. WOLHARDT Julian Juul *(Chairman)*
Prof. GUO Lianheng
Prof. LI Shengli

COMPANY SECRETARY

Ms. WONG Lai Wah, FCPA

REGISTERED OFFICE

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

HEADQUARTERS

Economic and Technological Development Zone
Maanshan City, Anhui Province
PRC

PLACE OF BUSINESS IN HONG KONG

Unit 2402, 24/F, Alliance Building,
130-136 Connaught Road Central,
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Finance Limited
P.O. Box 1093, Queensgate House
Grand Cayman,
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,17th Floor,
Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Cleary Gottlieb Steen & Hamilton LLP

As to Cayman Islands Law
Maples and Calder

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PRINCIPAL BANKERS

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

WEB SITE

www.moderndairyir.com

STOCK CODE

Hong Kong Stock Exchange 1117

Financial Highlights

RESULTS

	Six months ended 31 December		
	2011 RMB'000	2010 RMB'000	Changes %
Sales of milk produced	735,640	457,220	60.9%
Earnings before interest and tax	191,929	114,616	67.5%
Operating margin	26.1%	25.1%	1%
Net profit	163,239	86,873	87.9%
Net profit margin	22.2%	19.0%	3.2%
Basic EPS (RMB)	3.33 cents	1.85 cents	80%

FINANCIAL POSITION

	As at		
	31 December 2011 RMB'000	30 June 2011 RMB'000	Changes %
Biological assets	3,285,400	2,651,407	23.9%
Cash and cash equivalents	674,148	1,021,691	-34.0%
Total assets	7,916,258	6,906,933	14.6%
Total debts	2,203,353	1,522,934	44.7%
Gearing ratio (Total debts/Total assets)	27.8%	22.0%	5.8%

Management Discussion and Analysis

BUSINESS REVIEW

We are the largest dairy farming company in terms of herd size as well as the largest raw milk producer in China. For the six months ended 31 December 2011, the Group's operating results reached historical high, due to the increase in productivity and rising demand for high-end dairy products in China. As of 31 December 2011, the Group had 16 farms in operation and 4 farms under construction in China with 128,759 dairy cows in total. Our farms are situated across the PRC in strategic geographical locations that have close proximity to downstream dairy product processing plants and feed supply sources required by our farms. Total sales volume of the Group amounted to 195,321 tons, representing an increase of 66.5% from 117,285 tons in the corresponding period of 2010, which indicated that the Group has established a strong and leading market position in China's raw milk market.

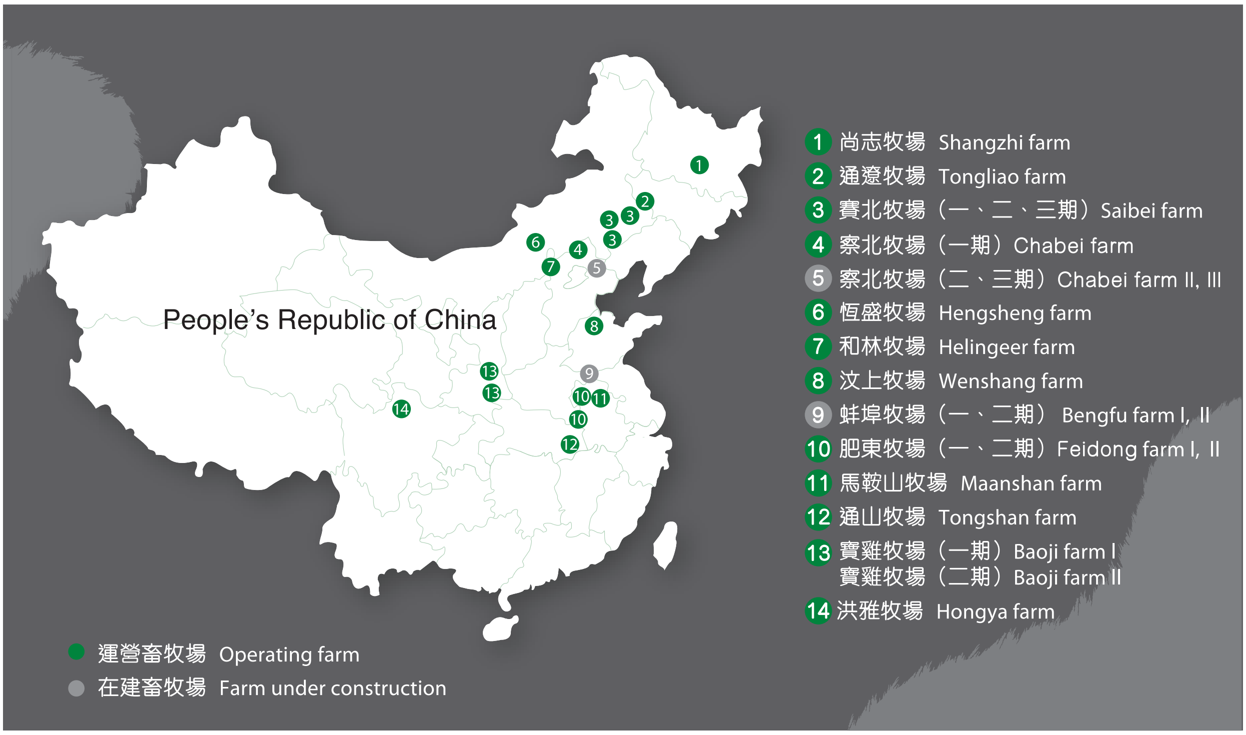
We achieved an average annual milk yield of 7.80 tons during the six months ended 31 December 2011, representing an increase of 3.3% from 7.55 tons in the corresponding period last year. Such results are attributable to our advanced herd management, continued genetic improvement of our cows and increase in number of cows reaching the peak stage of lactation.

Driven by the gradual attainment of economies of scale and increase in milk yield, EBIT margin of the Group increased to 26.1% from 25.1% in the corresponding period last year, while net profit margin increased from 19.0% to 22.2%.

To ensure safety of the raw milk produced by the Group and boost consumer confidence, the Group has devoted itself to implementing a series of comprehensive quality control measures to ensure that raw milk is free from contamination throughout the processes of feeding, breeding, milking and transportation. For the quality control on feeds, the Group has stringent procedures in place for selection of feed providers and feed storage. In addition, each batch of feeds is tested and examined for quality. For breeding, the Group has installed an efficient information system to continuously monitor milkable cows as a precaution against diseases. For the milking process, the Group continues to enhance the hygiene standards in our production premises and uses automatic milking systems to pipe the milk directly from cows to our central milk tanks ensuring the quality of raw milk. For the process of transportation, the Group continuously monitors the freezing equipment and the route of transportation and enhances our communication and co-ordination with the clients to ensure that the raw milk will not be contaminated during transportation. Through the constant technology improvements of the Group, the quality of the Group's raw milk continued to improve. Leveraged on advanced technologies and farm ancillary facilities, as well as premium feed supply sources, the Group was able to produce world-class raw milk during the current interim period.

Meanwhile, we introduced UHT milk packs of own brand during the period for sale in China's major cities, including Beijing, Hefei and Zhongshan. The freshness and purity of our products are highly valued by our customers.

Our Farms



Our financial results are directly affected by our milk yield per cow. In general, as milk yield per cow improves, the costs for production decrease. 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 7.80 tons for the six months ended 31 December 2011, representing an increase of 3.3% from 7.55 tons for last corresponding period. 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.

Driven by the increase in our milk yield and effective cost control measures, the EBIT margin of the Group increased to 26.1% for the six months ended 31 December 2011 from 25.1% in last corresponding period, and the net profit margin increased to 22.2% for the six months ended 31 December 2011 from 19.0% same period last year.

Herd size

	As of	
	31 December 2011 Heads	30 June 2011 Heads
Milkable cows	54,338	46,267
Heifers and calves	74,421	61,309
Total dairy cows	128,759	107,576

Sales of milk produced

98.5% of the sales of milk produced by the Group were sold to our primary customer, China Mengniu Dairy Company Limited (2010: 99.0%). Our total sales of milk produced increased by 60.9% from RMB457.2 million in last corresponding period to RMB735.6 million for the six months ended 31 December 2011. The increase in sales revenue is mainly due to an increase in sales volume of milk by 66.5% from 117,285 tons in the last corresponding period to 195,321 tons for the six months period ended 31 December 2011. The increase in sales volume is attributable to the expansion of our herd size and increase in average milk yield per cow.

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

As at 31 December 2011, the biological assets of the Group were revalued at RMB3,285.4 million (30 June 2011 (valued by independent professional valuer): RMB2,651.4 million) by the Directors. Gain arising from changes in the fair value of biological assets increased by 47.2% from RMB43.1 million in last corresponding period to RMB63.5 million in the six months ended 31 December 2011. The increase was primarily due to natural growth of our herd size and milk yield enhancement.

Other Income

Other income for the interim period mainly consists of government grants of RMB34.3million (2010: RMB17.9 million) and bank interest income of RMB10.5 million (2010: RMB1.4 million). A majority of the government grants was unconditional government subsidies for purchase of quality breed heifers.

Farm Operating Expenses

	Six months ended 31 December	
	2011 RMB'000 unaudited	2010 RMB'000 unaudited
Feeds	**462,636**	252,664
Utilities	**16,734**	10,277
Other farm operating expenses	**43,760**	31,841
Total	**523,130**	294,782

With the expansion of our herd size and general increase in market price of feeds, total feed costs for the six months ended 31 December 2011 increased to RMB462.6 million, up 83.1% from RMB252.7 million for the same period last year.

Employee benefit expenses

As of 31 December 2011, the Group has 3,451 employees. Total employee benefits expenses increased by 41.0% from RMB40.0 million in last corresponding period to RMB56.4 million in the six-month period ended 31 December 2011. The increase was mainly related to increased headcounts for new farms and general increase in base salary.

Depreciation

Depreciation expenses increased by 35.5% from RMB31.1 million in last corresponding period to RMB42.2 million for the interim period ended 31 December 2011. This is because more farms have been put into operation and the proportion of milkable cows to total number of dairy cows has also increased.

Other expenses

Other expenses mainly consist of professional fees, travel expenses and other office administrative expenses. The significant decrease in other expenses is mainly because there was RMB24.4 million transaction cost attributable to issue of shares incurred in last corresponding period while there was no such cost incurred in the six months ended 31 December 2011.

Finance costs

Finance costs increased from RMB27.7 million for the last corresponding period to RMB28.7 million for the six months ended 31 December 2011, which was mainly attributable to the increase in bank loans for construction of new farms.

Profit for the Period and Profit Attributable to the Owners of the Company

For the six months period ended 31 December 2011, the Group recorded a net profit of RMB163.2 million, up 87.9% from net profit of RMB86.9 million recorded same period last year. This was mainly attributable to the increase in sales revenue and average milk yield and effective cost control measures.

The Group's profit attributable to equity shareholders was RMB159.9 million for the six months ended 31 December 2011, representing an increase of 124.3% from RMB71.3 million for same period last year.

Basic earnings per share were approximately RMB3.33 cents (2010: RMB1.85 cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2011 (2010: Nil).

Capital Structure, Liquidity and Financial Resources

For the six months ended 31 December 2011, the Group's net cash inflow from operating activities amounted to RMB126.8 million, as compared to an outflow of RMB7.3 million in same period last year.

At 31 December 2011, the Group's available and unutilised banking facilities amounted to approximately RMB824.4 million. The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements.

The table below sets forth the short-term and long-term borrowings of the Group as at 31 December 2011.

	As at 31 December 2011 RMB'000 unaudited	30 June 2011 RMB'000 audited
Bank borrowings	2,202,546	1,518,697
Other borrowings	807	4,237
	2,203,353	1,522,934
Carrying amount repayable:		
Within one year	509,931	303,797
Between one to two years	607,642	144,065
Between two to five years	913,550	817,842
Over five years	172,230	257,230
	2,203,353	1,522,934
Less: amount due within one year included in current liabilities	(509,931)	(303,797)
Borrowings due after one year	1,693,422	1,219,137
Secured borrowings	1,567,935	1,223,305
Unsecured borrowings	590,418	210,922
Guaranteed borrowings	45,000	88,707
	2,203,353	1,522,934

As at 31 December 2011 gearing ratio, being the ratio of total borrowings to total assets was 27.8% (30 June 2011: 22.0%). The annual interest rate of the bank borrowings during the six months ended 31 December 2011 varied from 0.4% to 7.05% (2010 corresponding period: 1.92% - 6.40%). As at 31 December 2011 and 30 June 2011, except one bank loan with carrying amount of RMB100 million was denominated in Hong Kong Dollars, all other borrowings were denominated in Renminbi.

PLEDGE OF ASSETS

As at 31 December 2011, land use rights, buildings and equipment, and biological assets with carrying value of RMB10.5 million (30 June 2011: RMB10.8 million), RMB107.3 million (30 June 2011: RMB117.1 million) and RMB2,374.5 million (30 June 2011: RMB1,636.6 million), respectively, were pledged as security for bank borrowings.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2011, the Group has capital commitments of RMB390.4 million related to acquisition of property, plant and equipment and of RMB45.4 million for purchase of heifers.

The Group did not have any significant contingent liabilities as at 30 June 2011 and 31 December 2011.

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 meet its operation and investment needs.

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

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

The Group had approximately 3,451 employees in Mainland China and Hong Kong as at 31 December 2011. Total staff cost for the six month ended 31 December 2011, excluding Directors' fees, was approximately RMB54.3 million (2010: RMB38.5 million).

The Group values recruiting and training quality personnel. We recruit talent from universities and technical schools, providing them with pre-employment and on-the-job training. The Group also offers remuneration at competitive rates with the aim of retaining quality personnel.

The Company granted management options ("Management Options") in October 2010 and has also adopted a share option scheme on 17 November, 2011 ("Share Option Scheme") to provide incentive to our employees and other eligible persons to optimize their contributions to the Group and to reward them for their contribution to the Group. Details of Management Options granted are set out in the section "Management Options" below. As at 31 December 2011, no share options have been granted under the Share Option Scheme.

USE OF PROCEEDS

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited on 26 November 2010 with net proceeds from the global offering of approximately HK$2,197 million (after deducting underwriting commissions and related expenses). The net proceeds are expected to be used in the following manner:

Purpose of net proceeds	Percentage[1]	Amount of net proceeds HK$'Million	Utilised HK$'Million	Balance HK$'Million
Bank Import high-quality Holstein dairy heifers from Australia or New Zealand	40%	878.8	(409.0)	469.8
Construction of new farms	30%	659.1	(414.2)	244.9
Purchase of suitable farm facilities including, among other things, milking systems, feed processing machinery, electricity generating machines and herd management software	20%	439.4	(381.5)	57.9
Working capital and other general corporate purposes	10%	219.7	(219.7)	—
		2,197.0	(1,424.4)	772.6

Note

(1) Allocation of the use of net proceeds as set out in the prospectus of the Company dated 15 November 2010 (the "Prospectus").

At 31 December 2011, the remaining net proceeds were deposited in reputable financial institutions. The Directors intend to apply the remaining net proceeds in the manner as set out in the Prospectus.

PROSPECTS

Looking ahead, the rising purchasing power of Chinese citizens and their growing concern over health issues will continue to increase the demand for high-end quality raw milk. The per capita milk consumption in China remains substantially below the global average, indicating that there is still significant room for growth in demand. All these are beneficial to the further development of the Group.

The Ministry of Agriculture issued the "Twelveth Five Year Plan for National Livestock Development (2011 - 2015)", which clearly indicated that during the "Twelve Five" period the target for livestock development is to achieve significant improvement in the quality of the livestock industry, and standardized scale farming is a development emphasis during the "Twelve Five" period. By 2015, the proportion of national scale breeding of livestock and poultry is expected to increase by 10 to 15 percent, and herds with more than 100 dairy cows will exceed 38%. At the same time, financial subsidies will continue to increase. The implementation and promotion of "Twelve Five" will provide new opportunities to our Group's development, and will provide a firm foundation to secure the Group's leading position in the industry and future development.

In terms of quality control of raw milk, the PRC has in recent years continuously strengthened safety control of the dairy industry by amending and re-enacting 66 national food safety standards in 2010, including "Raw Milk", as well as issuing the "Notice on Further Strengthening the Work Quality and Safety for Dairy Products" and "Rules for Reviewing Production License for Dairy Products", in order to standardize the dairy product market and eliminate corporations that are small scaled and have poor production conditions and weak quality assurance ability, so as to promote consolidation of the industry and drive the industry gradually towards a healthy and sustainable development. During the process of constant growth and development, there are issues at various stages that constantly alert the industry to accelerate the standardization of all regulations and controls, with a view to prioritize consumer health and truly achieve development in China's dairy product industry. Being one of the first companies in China to adopt a large scale industrialized free-stall dairy farming operation model and given the historical responsibilities that the Company has been carrying, we feel our importance and the long distance required for us to carry out such responsibilities. Our Group will strive to promote modernized production models and lead the development of the industry.

To ensure the high quality and safety of raw milk and to boost consumer confidence, the Group will continue to implement a series of comprehensive quality control measures.

The management will further promote our successful farm operation model and will construct more farms in the coming years, so as to expand our production capacity as well as strengthen our leading position in China's dairy farming sector, and thereby contribute significantly to the sustainable growth of China's dairy product industry and deliver a satisfactory performance to our Shareholders and the general public.

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

At 31 December 2011, 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 (the "Model Code") set out in Appendix10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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	218,157,733	4.54%
	Beneficial owner	29,276,916[(2)]	0.61%
Mr. HAN Chunlin	Beneficial owner	29,276,916[(2)]	0.61%

(1) Ms. Gao holds approximately 49.10% of the interests in Jinmu Holdings Co. Ltd ("Jinmu"). Ms. Gao is deemed to be interested in the 218,157,733 shares held by Jinmu under the SFO.

(2) These represent interest in underlying shares of the Management Options granted by the Company, details of which are set out in the section "Management Options" below.

Saved as disclosed above, as at 31 December 2011, none of the Directors and the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2011, 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
Yinmu Holdings Co. Ltd.	Beneficial interest	739,559,117	15.41%
Xinmu Holdings Co. Ltd.	Beneficial interest	711,021,025	14.81%
Advanced Dairy Company Limited	Beneficial interest	1,152,248,682	24.01%
KKR Asian Fund L.P. [(1)]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Associates Asia L.P. [(1)]	Interest in controlled corporation	1,152,248,682	24.01%

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest
KKR SP Limited [1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Asia Limited [1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Fund Holdings L.P. [1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Fund Holdings GP Limited [1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Group Holdings L.P. [1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Group Limited[1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR & Co. L.P. [1]	Interest in controlled corporation	1,152,248,682	24.01%
KKR Management LLC [1]	Interest in controlled corporation	1,152,248,682	24.01%
Mr. Henry R. Kravis and Mr. George R. Roberts [1]	Interest in controlled corporation	1,152,248,682	24.01%
Crystal Dairy Holdings (CDH) Limited	Beneficial interest	384,104,918	8%
CDH Guard Limited [2]	Interest in controlled corporation	384,104,918	8%
CDH China Fund III, L.P. [2]	Interest in controlled corporation	384,104,918	8%
CDH III Holdings Company Limited [2]	Interest in controlled corporation	384,104,918	8%
China Diamond Holdings III, L.P. [2]	Interest in controlled corporation	384,104,918	8%
China Diamond Holdings Company Limited [2]	Interest in controlled corporation	384,104,918	8%

Notes

1. Each of KKR Asian Fund L.P. (as the controlling shareholder of Advanced Dairy Company Limited); KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.); KKR SP Limited (as the voting partner of KKR Associates Asia L.P.); KKR Asia Limited (as the general partner of KKR Associates Asia L.P.); KKR Fund Holdings L.P. (as the sole member of KKR Asia Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); KKR Management LLC (as the general partner of KKR & Co. L.P.); and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) be deemed to be interested in the Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.

2. CDH Guard Limited (as the sole shareholder of Crystal Dairy Holdings (CDH) Limited); CDH China Fund III L.P. (as the sole shareholder of CDH Guard Limited), CDH III Holdings Company Limited (as the general partner of CDH China Fund III L.P.); China Diamond Holdings III, L.P. (as the holding company of CDH III Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings III, L.P.) is deemed to be interested in the Shares.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 31 December 2011.

MANAGEMENT OPTIONS

The Company granted share options to certain Directors and chief executives for the purpose of providing incentives and rewards to their contributions to the success of the Group's operations. The following Management Options were outstanding during the period:

Name of grantee	Date of grant	Number of underlying shares	Exercise price
			HK$
Ms. GAO Lina	31 October 2010	29,276,916	0.86
Mr. HAN Chunlin	31 October 2010	29,276,916	0.86
Mr. SUN Yugang	31 October 2010	28,858,675	0.86
		87,412,507	

These options are exercisable during the period commencing from the listing date 26 November 2010 until 10 years from the date of offer. No share option was granted, cancelled, lapsed or exercised during the six-month period ended 31 December 2011.

As at 31 December 2011, the number of shares to be issued upon the exercise of the outstanding Management Options is 87,412,507 shares, representing 1.82% of the issued share capital of the Company as at that date.

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 31 December 2011 complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by Directors. The Company has made specific enquiries of all the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 31 December 2011.

CHANGES OF DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2011 Annual Report are as follows:

Mr. Julian Juul Wolhardt was appointed as a non-executive director of United Envirotech Limited commencing from 4 October 2011. United Envirotech Limited is a company listed on the main board of Singapore Stocks Exchange (stock code: 200306466G).

Mr. Lee Kong Wai Conway was appointed as an independent non-executive director of Citic Securities Co. Ltd., a company listed on both the Stock Exchange of Hong Kong Limited (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030), commencing from 14 November 2011. In addition, Mr. Lee is no longer an independent non-executive director of Sino Vanadium Inc, a company listed on the Toronto Stock Exchange (stock code: SVX).

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2011.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements of the Group for the six months ended 31 December 2011 have not been audited but have been reviewed by the Group's auditors, Deloitte Touche Tohmatsu, and the audit committee of the Company (the "Audit Committee").

The Audit Committee comprises Mr. LEE Kong Wai Conway, Mr. HUI Chi Kin Max and Prof. GUO Lianheng.

On behalf of the Board
China Modern Dairy Holdings Ltd.
DENG Jiuqiang
Chairman

Hong Kong, 20 February 2012

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA MODERN DAIRY HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 28, which comprises the condensed consolidated statement of financial position of China Modern Dairy Holdings Ltd. (the "Company") and its subsidiaries as at 31 December 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 February, 2012

Condensed Consolidated Statement of Comprehensive Income

For the Six months ended 31 December 2011

	NOTES	Six months ended 31 December 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Sales of milk produced	4	735,640	457,220
Gain arising from changes in fair value less costs to sell of dairy cows	13	63,508	43,149
Other income	5	45,337	20,059
Farm operating expenses		(523,130)	(294,782)
Employee benefits expenses		(56,371)	(39,993)
Depreciation		(42,175)	(31,134)
Share of loss of an associate		(966)	—
Net foreign exchange (loss) gain		(4,967)	1,068
Other gains and losses		(840)	(358)
Other expenses		(24,107)	(40,613)
Profit before finance costs and tax	6	191,929	114,616
Finance costs	7	(28,690)	(27,735)
Profit before tax		163,239	86,881
Income tax charge	8	—	(8)
Profit and total comprehensive income for the period		163,239	86,873
Profit and total comprehensive income attributable to:			
Owners of the Company		159,934	71,297
Non-controlling interests		3,305	15,576
		163,239	86,873
Earnings per share (RMB)	10		
Basic		3.33 cents	1.85 cents
Diluted		3.30 cents	1.84 cents

Condensed Consolidated Statement of Financial Position (unaudited)

As at 31 December 2011

	NOTES	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,660,073	2,221,265
Land use rights		66,962	62,863
Interest in an associate	12	12,534	—
Goodwill		310,426	310,426
Long-term prepaid rentals		130	130
Deposit for acquisition of biological assets		13,145	1,094
Biological assets	13	3,285,400	2,651,407
		6,348,670	5,247,185
CURRENT ASSETS			
Inventories		338,068	212,719
Trade and other receivables	14	210,520	136,779
Land use rights		1,531	1,440
Pledged bank balances		343,321	287,119
Bank balances and cash		674,148	1,021,691
		1,567,588	1,659,748
CURRENT LIABILITIES			
Trade and other payables	15	745,606	482,811
Borrowings - due within one year	16	509,931	303,797
Deferred income		5,570	4,943
		1,261,107	791,551
NET CURRENT ASSETS		306,481	868,197
TOTAL ASSETS LESS CURRENT LIABILITIES		6,655,151	6,115,382
CAPITAL AND RESERVES			
Share capital		413,075	413,075
Reserves		4,414,867	4,254,933
Equity attributable to owners of the Company		4,827,942	4,668,008
Non-controlling interests		60,705	54,700
		4,888,647	4,722,708
NON-CURRENT LIABILITIES			
Borrowings - due after one year	16	1,693,422	1,219,137
Long-term other payable	15	11,885	100,000
Deferred income		61,197	73,537
		1,766,504	1,392,674
		6,655,151	6,115,382

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 31 December 2011

	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 2010 (Audited)	272	—	1,391,441	—	45,021	1,436,734	1,133,005	2,569,739
Profit and total comprehensive income for the period	—	—	—	—	71,297	71,297	15,576	86,873
Shares repurchased and cancelled and replaced by new shares	170	—	(170)	—	—	—	—	—
Issue of shares	421	902,696	—	—	—	903,117	—	903,117
Shares capitalization	343,923	(343,923)	—	—	—	—	—	—
New issue of shares by way of public offering	68,289	1,905,644	—	—	—	1,973,933	—	1,973,933
Transaction costs attributable to issue of new shares	—	(73,256)	—	—	—	(73,256)	—	(73,256)
Recognition of equity-settled share-based payment	—	—	—	9,072	—	9,072	—	9,072
Acquisition of non-controlling interest	—	—	189,812	—	—	189,812	(1,092,929)	(903,117)
Balance at 31 December 2010 (Unaudited)	413,075	2,391,161	1,581,083	9,072	116,318	4,510,709	55,652	4,566,361
Balance at 1 July 2011 (Audited)	413,075	2,390,483	1,585,752	9,072	269,626	4,668,008	54,700	4,722,708
Profit and total comprehensive income for the period	—	—	—	—	159,934	159,934	3,305	163,239
Contributions from non-controlling interest arising from a new subsidiary	—	—	—	—	—	—	2,700	2,700
Balance at 31 December 2011 (Unaudited)	413,075	2,390,483	1,585,752	9,072	429,560	4,827,942	60,705	4,888,647

Note: Other reserve balance at 1 July 2010 represented the contribution from the owners for the operation of the Group.

Condensed Consolidated Statement of Cash Flows (unaudited)

For the six months ended 31 December 2011

	Six months ended 31 December	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Net cash generated from (used in) operating activities	126,750	(7,320)
Net cash used in investing activities		
Purchases of property, plant and equipment	(488,915)	(295,244)
Addition in biological assets	(583,781)	(389,324)
Investment in an associate (note 12)	(13,500)	—
Other investing cash flows	(19,985)	36,001
	(1,106,181)	(648,567)
Net cash generated from financing activities		
Gross proceeds from issue of shares by way of public offering	—	1,973,933
Issue of shares	—	903,117
Acquisition of additional interest in a subsidiary	—	(903,117)
New bank borrowings raised	873,758	1,667,483
Repayment of bank borrowings	(193,340)	(1,157,584)
Other financing cash flows	(48,530)	(69,447)
	631,888	2,414,385
Net (decrease) increase in cash and cash equivalents	(347,543)	1,758,498
Cash and cash equivalents at 1 July	1,021,691	250,959
Cash and cash equivalents at 31 December, represented by bank balances and cash	674,148	2,009,457

Notes to the Condensed Consolidated Financial Statements

for the six months ended 31 December 2011

1. GENERAL INFORMATION

China Modern Dairy Holdings Ltd. (the "Company") is a public limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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 and its principal place of business 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 condensed consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Group operate (the "functional currency").

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for biological assets, which are measured at fair value less costs to sell. The accounting policies and methods of computation used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2011. In addition, the Group adopted the new accounting policy as follows:

Investment in an associate

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.

The results and assets and liabilities of associate are incorporated in these condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has also applied, for the first time, a number of revised standard and amendments ("new or revised IFRSs") issued by the International Accounting Standards Board. The application of these new or revised IFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

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

IFRS 7 (Amendments)	Disclosures - Offsetting financial assets and financial liabilities[1]
IFRS 9	Financial Instruments[5]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[5]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[2]
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets[3]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 July 2012.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 January 2014.
5 Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company (the "Directors") are in the process of making an assessment of the impact of these new or revised standards, amendments or interpretation on the results and financial position of the Group and disclosures in the consolidated financial statements.

4. SALES OF MILK PRODUCED AND SEGMENT INFORMATION

Sales of milk produced represented mainly the fair value of milk produced less costs to sell at the point of harvest.

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the executive directors of the Group, in order to allocate resources and to assess performance. The operation of the Group constitutes one operating and reportable segment i.e. production and sales of milk produced in the PRC.

For the purpose of resources allocation and assessment of performance, the executive directors of the Group reviewed the profit before tax, assets and liabilities of the Group as a whole. The information reported to the executive directors of the Group for the purpose of resources allocation and assessment of performance is same as the amounts reported under IFRSs.

5. OTHER INCOME

	Six months ended 31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grant related to		
– Biological assets (Note i)	**30,017**	13,475
– Income (Note ii)	**1,745**	2,503
– Other assets	**2,524**	1,886
Bank interest income	**10,460**	1,394
Others	**591**	801
	45,337	20,059

Note i: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of supporting the Group to purchase dairy cows.

Note ii: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving financial support to the Group's operation.

6. PROFIT BEFORE FINANCE COSTS AND TAX

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

	Six months ended 31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	**949**	673
Transaction costs attributable to issue of shares	**—**	24,356
Exchange loss (gain)	**4,967**	(1,068)
Loss on disposal of property, plant and equipment, net	**840**	358
Release of land use rights	**742**	708

7. FINANCE COSTS

	Six months ended 31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within five years	**41,789**	32,379
Bank borrowings wholly repayable after five years	**13,812**	5,621
Other borrowings wholly repayable within five years	**—**	87
Total borrowing cost	**55,601**	38,087
Less: capitalized amount	**(26,911)**	(10,352)
	28,690	27,735

Borrowing costs are capitalized in construction in progress.

8. INCOME TAX CHARGE

	Six months ended 31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax:		
PRC enterprise income tax	**—**	8

The tax charge for the period under review 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.

According to the prevailing tax rules and regulation in the PRC, certain entities of the Group operating in agricultural business are exempted from enterprise income tax.

9. DIVIDEND

No dividends were paid, declared or proposed during the current reporting period. The Directors do not recommend the payment of an interim dividend.

10. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**159,934**	71,297
Adjustment to the share of profit of Modern Farming Group Co., Ltd. ("Modern Farm")and its subsidiaries based on dilution of their earnings per share	**–**	(283)
Earnings for the purpose of diluted earnings per share	**159,934**	71,014

	Six months ended 31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,800,000,000**	3,849,121,739
Effect of share options issued by the Company (Note 17)	**49,463,858**	19,988,361
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,849,463,858**	3,869,110,100

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the six months ended 31 December 2010 have been determined assuming 5,124,000 ordinary shares were allotted and credited to Advanced Dairy I Company Limited ("Advanced Dairy I") and the capitalization issue as set out in note 28 (vi) of the Group's consolidated financial statements for the year ended 30 June 2011 occurred on the date of incorporation of the Company.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2011, the Group spent RMB494,783,000 (six months ended 31 December 2010 (unaudited): RMB395,648,000) to acquire property, plant and equipment in order to increase its production capacity.

12. INTEREST IN AN ASSOCIATE

During the current period, the Group acquired 18% equity interest in Qiushi Grass Industry Co., Ltd. ("Qiushi ") through a cash capital contribution of RMB13,500,000.

Qiushi was established in the PRC on 30 September 2011 as a limited liability company and was formed by Ms. Deng Yuan ("Ms. Deng") and Mr. Qi Xiaohang ("Mr. Qi") who are family members of Mr. Deng Jiuqiang and Ms. Gao Lina, directors of the Company, and two independent third party individuals. Subsequent to the Group's capital injection of RMB13,500,000 in December 2011, Ms. Deng and Mr. Qi and the two independent third party individuals owned 63.33%, 13.33%, 2.67% and 2.67% equity interest of Qiushi, respectively.

As at 31 December 2011, the registered capital of Qiushi was RMB75,000,000. Qiushi is principally engaged in planting and sale of forage grass in the PRC.

13. BIOLOGICAL ASSETS

The Group's dairy cows were fair valued by the Directors at 31 December 2011 while the fair value of the Group's dairy cows at 30 June 2011 has been arrived at on the basis of a valuation carried out by independent qualified professional valuer. As at 31 December 2011 the fair value less costs to sell of 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 for milkable cows are not available, the Directors have applied net present value approach to calculate the fair value less cost to sell of these items. The resulting gain arising from changes in fair value less costs to sell of dairy cows of RMB63,508,000 (six months ended 31 December 2010 (unaudited): RMB43,149,000) has been recognized directly in profit or loss for the six months ended 31 December 2011.

The principal valuation assumptions affecting the estimation of the fair value of dairy cows by applying the net present value approach are the same as those set out in note 20 of Group's consolidated financial statements for the year ended 30 June 2011.

14. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables at the end of respective reporting periods:

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Trade receivables		
– within 60 days based on invoice date	131,014	100,019
– over 60 days based on invoice date	50	408
	131,064	100,427
Advances to suppliers	63,011	26,589
Others	16,445	9,763
	210,520	136,779

15. TRADE AND OTHER PAYABLES

The credit period taken for the settlement of trade purchases is 60 days. The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the respective reporting periods:

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Trade payables		
Within 60 days	321,814	177,066
Over 60 days	32,254	19,478
	354,068	196,544
Payable for acquisition of property, plant and equipment	244,736	238,868
Accrued staff costs	27,582	21,447
Advance payment from customers (note)	92,338	5,863
Payable for transaction cost	6,790	7,552
Amount due to non-controlling shareholder of subsidiary	5,300	—
Others	14,792	12,537
	391,538	286,267
	745,606	482,811

Note: The balance as at 31 December 2011 mainly represented the Group's receipt in advance from a customer to secure the supply of raw milk from the newly established farms to this customer and such balance will be utilised to settle the sales amount of raw milk produced from these new farms in the forthcoming year.

Amount due to non-controlling interest of subsidiary is unsecured, interest-free and is repayable on demand.

16. BORROWINGS

During the current period, the Group obtained new bank loans amounting to RMB 873,758,000 (six months ended 31 December 2010 (unaudited): RMB1,667,483,000) and repaid RMB193,340,000 (six months ended 31 December 2010 (unaudited): RMB1,157,584,000).

The annual interest rate of the bank borrowings during the period ranged from 0.40% to 7.05% (Year ended 30 June 2011: 0.40% to 6.46%).

17. SHARE-BASED PAYMENT TRANSACTIONS

The option scheme of Modern Farm (the "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 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 Scheme was RMB10,821,069, representing 2.09% of the paid-in capital of Modern Farm at that date.

On 31 October 2010, the Company granted to 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 ("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 MF Options granted and the incremental fair value caused by the replacement of MF Options with Management Options is insignificant.

No Management Options was exercised during the period ended 31 December 2011 and 31 December 2010.

18. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group was committed to make future minimum lease payments in respect of plant and vehicles rented under non-cancellable operating leases which fall due as follows:

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Within one year	817	1,427
In the second to fifth year inclusive	392	716
Over five years	846	1,419
	2,055	3,562

19. CAPITAL COMMITMENTS

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Capital expenditure contracted but not provided for in respect of the acquisition of:		
– property, plant and equipment	390,394	210,852
– biological assets	45,422	34,519
	435,816	245,371

20. RELATED PARTY TRANSACTIONS

(a) As disclosed in note 12 to the condensed consolidated financial statements, the Group invested RMB13,500,000 to Qiushi.

(b) Remuneration of key managements

The remuneration of directors of the Company and other members of key management during the period were as follows:

	Six months ended 31 December	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Salaries and other benefits	1,988	1,445
Retirement benefits scheme contributions	37	20
	2,025	1,465