



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)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：1117

Annual Report 2017 年報



连续五年获得世界食品品质评鉴大会

金奖



* For identification purpose only 僅供識別

CORPORATE PROFILE

公司簡介

China Modern Dairy Holdings Ltd. (the “Company” or “Modern Dairy”) was established in September 2005, specializing in dairy farming and milk production with headquarters located in the Economic and Technological Development Zone in Ma’anshan City, Anhui Province. Modern Dairy (stock code: 01117·HK) was successfully listed on the Hong Kong Stock Exchange on 26 November 2010, making itself the world’s first company listed using dairy farming resources. The Company is the largest dairy farming company and raw milk producer in China in term of herd size and supply of raw milk. The Company initiated the production model of “zero-distance integration of forage grass planting, cow breeding and milk processing within two hours” which is the first and only enterprise at present in China that qualified with SGS certification. Up to early of 2018, the Company has been awarded with the gold price for five consecutive years at Monde Selection, which is generally regarded as “Nobel Prize in food quality” in the food industry.

中國現代牧業控股有限公司(簡稱“本公司”或“現代牧業”)，成立於2005年9月，是一家專門從事奶牛養殖和牛奶生產的企業，總部位於安徽省馬鞍山市經濟技術開發區。2010年11月26日現代牧業在香港聯交所成功上市，股票代碼01117·HK，成為全球第一家以奶牛養殖資源上市的企業。按牛群數量及原奶供應量，本公司是中國最大的乳牛畜牧公司及最大的原奶供應商。本集團首創「種養加一體化、零距離2小時」的生產模式，是中國首家、也是目前唯一一家一體化生產模式通過SGS認證的企業。截至2018年初，本公司已連續五年在素有食品業「諾貝爾獎」之稱的世界食品品質評鑒大會中獲得金獎，刷新世界範圍內純牛奶的獲獎記錄。





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HIGHLIGHTS

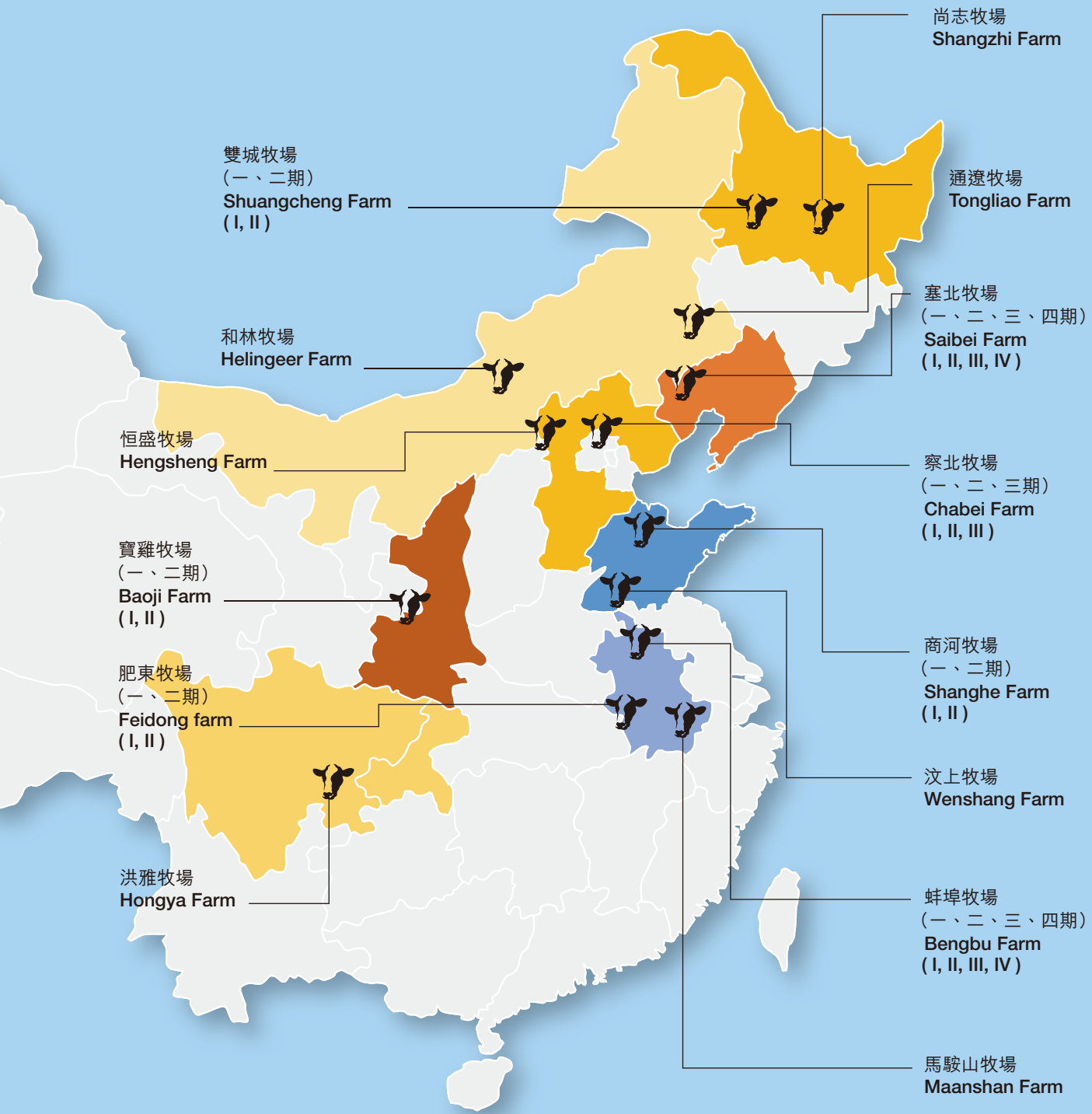
摘要

- Revenue for the year ended 31 December 2017 amounted to approximately RMB4,784 million, representing a slight decrease of approximately 1.6% (2016: RMB4,862 million).
- Sales volume of raw milk (totalling external and internal sales) amounted to approximately 1.15 million tons, representing a year-on-year 13.8% increase.
- Reduced in the cash cost of raw milk to RMB2.43/kg for the year ended 31 December 2017 (2016: RMB2.53/kg), as a result of effective cost control of the Group's farms.
- Increased in the average annual milk yield to 9.8 tons per milkable cow for the year ended 31 December 2017, representing an uplift of 0.4 tons or 4.3% (2016: 9.4 tons per milkable cow), attributable to the efficient operation of dairy farming.
- Subsequent to the reporting period, pure milk of the Group was, for the fifth consecutive year, awarded the gold prize of Monde Selection, a honor generally regarded as "Nobel Prize" in the food and beverage industry, signifying the Group's products have already been well recognized globally.
- Disposal of interest in milk production business units to Mengniu Group to form joint venture was approved by shareholders in early of 2018. By leveraging on Mengniu's Group's solid distribution network and marketing team, the Group could focus on upstream dairy farm business with secure robust income while strategically exploit new products.
- Launch of "Fresh" (「鮮語」), the Group's new pure milk product which made its debut in July 2017, is well recognized by the retail market. In late 2017, "Fresh" has been awarded the title of "Official Milk of the 2018 FIFA World Cup™", marking a big leap forward made by Modern Dairy onto the international stage.
- Synergies with Mengniu Group are emerging along with the completion of the mandatory cash offer by Mengniu which increased its interest in the Company. Positive synergistic effect was reflected on areas of procurement, financing, sales and marketing, production capacity and brand development.
- 截至二零一七年十二月三十一日止年度的收益約人民幣4,784百萬元(二零一六年：人民幣4,862百萬元)，略微減少約1.6%。
- 原奶銷量(外部及內部總計)達約115萬噸，同比增長13.8%。
- 得益於本集團的成本控制，截至二零一七年十二月三十一日止年度的原奶現金成本減少至人民幣2.43元/公斤(二零一六年：人民幣2.53元/公斤)。
- 由於乳牛養殖的有效經營，截至二零一七年十二月三十一日止年度的平均每頭成乳牛年產奶量增加至9.8噸(二零一六年：每頭成乳牛9.4噸)，增幅為0.4噸或4.3%。
- 於報告期後，本集團純牛奶連續五年榮獲素有食品界「諾貝爾獎」之稱的「世界食品品質評鑒大會」金獎榮譽，標誌著本集團產品已於全球獲得廣泛認同。
- 向蒙牛集團出售牛奶生產業務單位權益以組成合營企業已於二零一八年初獲得股東批准。憑藉蒙牛集團穩固的分銷網絡及營銷團隊，本集團可專注於上游牧場業務以確保帶來穩健收入，同時亦可策略性地開發新產品。
- 本集團新推出的純牛奶產品「鮮語」於二零一七年七月首次亮相，深受零售市場認同。於二零一七年底「鮮語」獲得「2018 FIFA世界盃官方牛奶」，標誌著現代牧業進一步走向國際舞台。
- 於蒙牛完成強制性現金要約後(其增持於本公司權益)，與蒙牛集團的協同效應逐漸顯現。正面協同效應可見於採購、融資、營銷、產能使用及品牌發展等方面。



FARM MAP

牧場位置圖



CEO'S STATEMENT

總裁報告書



*“Lay a solid foundation,
integrate innovation and
start with a better self
夯實基礎 整合創新
從更好的自己出發”*

Ms. GAO Lina
高麗娜女士
Chief Executive Officer
總裁

Dear Shareholders,

On behalf of the board of directors (the “Board”) of China Modern Dairy Holdings Ltd. (“Modern Dairy” or the “Company” together with its subsidiaries, the “Group”) and its subsidiaries, I am pleased to present the annual results of Modern Dairy for the year ended 31 December 2017 to each of our shareholders.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group recorded a total revenue of RMB4,783.8 million. For the year ended 31 December 2017, dairy farming business remained the core business of the Group which accounted for 86.11% of the total revenue of the Group. In terms of herd size, the Group is the largest dairy farming company and raw milk producer in mainland China. During the year ended 31 December 2017, the Group has 26 farms in operation with herd size each close to or over ten thousands in China with 233,058 dairy cows in total, and it has a contracted forage planting land of more than 1 million acres and produces 3,300 tons of raw milk per day and its unit production of milkable cow is 9.8 tons per cow per year. Leveraging on the world's first model of “integration of forage planting, dairy farming and milk processing”, the Group has developed to the largest dairy farming enterprise, high quality raw milk provider and high-quality dairy processing manufacturer in terms of scale. For the year ended 31 December 2017, the total external sales volume of raw milk for the Group amounted to 1,075,538 tons.

尊敬的各位股東：

本人僅代表中國現代牧業控股有限公司（「現代牧業」或「本公司」，連同其附屬公司統稱「本集團」）其附屬公司董事會「董事會」，欣然向各位股東呈報現代牧業截至二零一七年十二月三十一日止年度的全年業績。

業務回顧

截至二零一七年十二月三十一日止年度，本集團錄得總收入人民幣4,783.8百萬元。截至二零一七年十二月三十一日止年度，奶牛養殖業務為本集團的核心業務，佔本集團總收入86.11%。按畜群大小計算，本集團是中國內地最大的乳牛畜牧公司及最大的原料奶生產商。截至二零一七年十二月三十一日止年度，本集團共在中國自有營運26個萬頭規模牧場，飼養乳牛達233,058頭，簽約牧草種植土地超過100萬畝，日產原奶3,300噸，成乳牛單產9.8噸／頭／年。依托全球首創的「牧草種植、奶牛養殖、牛奶加工一體化」模式，本集團已發展為中國規模最大的奶牛養殖企業、高品質原奶供應商及優質乳加工製造者。本集團截至二零一七年十二月三十一日止年度的原料奶總外部銷量為1,075,538噸。

CEO's Statement 總裁報告書



Adhering to breeding and production model with economy of scale, modernization and standardisation, the Group dedicates itself to meet the increasing milk demand of consumers, to enhance food safety, epidemic prevention safety and environmental safety, and to produce dairy products ahead of international standard. With consideration of the Group's strong upstream milk sources and well-established sales network from China Mengniu Dairy Company Limited ("Mengniu" together with its subsidiaries "Mengniu Group") the Group has handed over the operation of self-owned brand to Mengniu Group in 2017. The Group entered into a framework supply and processing agreement with Mengniu Group on 16 June 2017, pursuant to which Mengniu Group is responsible for sales and distribution of the Group's self-owned brand milk. In January 2018, the Company announced to establish plants under joint venture with Mengniu to further strengthen the alliance between the downstream brand dairy business and Mengniu Group. This will be beneficial to the Group as it could ride on its competitive advantages by deploying more resources to develop upstream business to provide consumer with high quality raw milk, in order to achieve long-term sustainable development of the Group's business and to maximise the interests of its shareholders.

For the year ended 31 December 2017, Cash EBITDA⁽¹⁾ of the Group was RMB1,081.8 million, and Cash EBITDA margin was 22.61%.

Note 1:

Cash EBITDA is defined as loss before finance costs and tax having added back: i) depreciation for property, plant and equipment; ii) amortization; iii) other gains and losses, net; and iv) loss arising from changes in fair value less costs to sell of dairy cows.

本集團遵循經濟規模化、現代化、標準化的養殖和生產模式，致力於滿足消費者日益增長的牛奶需求，提升食品安全、防疫安全與環境安全，生產超越國際標準的乳製品。考慮到本集團強大的上游奶源及中國蒙牛乳業有限公司（「蒙牛」，連同其附屬公司統稱「蒙牛集團」）完善的銷售網絡，本集團於二零一七年度將自有品牌業務交予蒙牛集團運營。本集團於二零一七年六月十六日與蒙牛集團簽訂框架供應和加工協議，由蒙牛集團負責本集團自有品牌奶的銷售和分銷。於二零一八年一月，本公司宣布與蒙牛建立合營工廠，進一步加強下游品牌奶業務與蒙牛集團的聯合。此舉有利於本集團借助其競爭優勢，集中資源發展上游業務，為消費者提供高品質原奶，實現本集團業務的長期可持續發展，促進股東利益最大化。

截至二零一七年十二月三十一日止年度，本集團現金息稅折舊及攤銷前利潤(Cash EBITDA)⁽¹⁾為人民幣1,081.8百萬元，現金息稅折舊及攤銷前利潤率為22.61%。

註1：

現金EBITDA定義為在加回以下項目後的融資成本及稅項前虧損：i)物業廠房及設備折舊；ii)攤銷；iii)其他收益及虧損淨額，及iv)乳牛公平值變動減乳牛銷售成本產生的虧損。

CEO's Statement 總裁報告書

In 2017, the domestic dairy farming industry was still confronted with severe challenges, even though raw milk prices had already bottomed out and now rebounded. As a pioneer in large-scale farming in mainland China and the world's first listed company with dairy farming resources, the Group initiated the production model of "zero-distance integration of forage grass planting, cow breeding and milk processing within two hours". Large-scale farms in upstream and modern processing plants in downstream formed linkages to realise the organic integration and zero-distance and seamless connection between primary, secondary and tertiary industry.

The Group's milk quality having achieved international dairy standards has won a widespread recognition worldwide. In March 2018, at Monde Selection, which is generally regarded as "Nobel Prize" in food quality in food industry, the Group's pure milk product was awarded with gold prize for five years consecutively, reaching a record high in the world's pure milk category. The room-temperature yogurt of the Group was awarded with silver prize for the first time in 2017 at the same event, which symbolised the milk quality of the Group had been consistently ahead of the world-class standards. On 20 June 2017, the Group became the first and only enterprise in China that qualified with SGS certification, indicating that our innovative production model of "integration of forage grass planting, cow breeding and milk processing" has passed the stringent inspection conducted by an international authoritative inspection institution and achieved the world-class standards. On 5 July 2017, the Group was awarded "Health Leader Award" for Seven-Star Convention Alliance Award, proving that the Group's products and enterprise quality have been well recognised.

In December 2017, Ms. Gao Lina, the executive Director and CEO of the Group, was awarded with "China Financing Grand Prize – Award for Best Business Leader of The Year". The award aimed at recognising the outstanding management personnel in the industry, and was also a recognition to the operation model of the Group. In December 2017, the Group was named "the Most Socially Responsible Listed Company in 2017 Golden Hong Kong Stock Awards" which was selected by a committee of experts, and accompanied with corresponding public voting weights, demonstrating that the Group has upheld the concept of environmental protection development and proactively fulfills its corporate social responsibilities to build up its initial aspiration of manufacturing good milk with the craftsmanship spirit in China.

二零一七年國內奶牛養殖業面臨的挑戰依然嚴峻，儘管原奶價格已觸底回升。作為國內最早開展規模化養殖的探路者及全球第一家以奶牛養殖資源上市的公司，本集團首創「種養加一體化、零距離2小時」的生產模式，規模化的牧場與現代化的加工廠上下聯動，實現一、二、三產業的有機融合及零距離無縫鏈接。

本集團的牛奶品質與國際乳品標準比肩同齊，先後獲得國際社會的廣泛認可。二零一八年三月，在素有食品業「諾貝爾獎」之稱的世界食品品質評鑒大會(Monde Selection)上，本集團的純牛奶產品連續五年獲得金獎，刷新世界範圍內純牛奶的獲獎記錄，與此同時，本集團常溫酸奶於二零一七年同項目首次榮獲大會銀獎，意味着本集團的牛奶的品質已經穩定達到了國際食品評價基準的較高要求。二零一七年六月二十日，本集團成為國內首家、也是唯一一家一體化生產模式通過SGS認證的企業，意味著本集團「種養加一體化」的創新生產模式通過國際權威檢測機構的嚴苛檢驗，達到世界級標準。二零一七年七月五日，本集團榮獲中國食品健康七星獎(「七星獎」-「健康引領獎」)，標志著本集團產品及企業素質獲高度認可。

二零一七年十二月，執行董事兼總裁高麗娜女士榮獲「中國融資大獎-年度最佳企業領袖獎」，該獎項旨在表彰行業領先企業的優秀管理人員，也是對集團經營模式的肯定。二零一七年十二月，本集團榮獲「2017年金港股最具社會責任上市公司獎」，該獎由專家委員會評選並配以相應公眾投票權重，彰顯本集團秉持綠色環保發展理念，積極履行企業社會責任，以工匠精神打造中國製造好牛奶的初心。



CEO's Statement 總裁報告書

Since Mengniu completed the mandatory cash offer for the Group in March 2017, business collaboration between the Group and Mengniu had been further fortified. Mengniu owns 60.76% of the issued share capital of the Group as at the date of this report. A closer cooperation with Mengniu, a leading enterprise dairy industry in mainland China, will not only lay a solid base for the Group's sale of high quality raw milk, but also help deliver our brand milk with "purity, genuineness, freshness and vitality" to thousands of families by leveraging on Mengniu's all-rounded sales networks. On 11 July 2017, the "Fresh" room-temperature pure milk, which is jointly launched by the Group and Mengniu, made its debut. Its innovative design with the silver "refrigerator" concept symbolized keeping milk fresh as a refrigerator does and highlighted the unique advantages of "only two hours from milking to processing" of the Group. Afterward, the "Fresh" became the title sponsor in a popular internet variety talk show named Rock & Roast, which brought huge attention to the brand via web-based marketing and promotion events continuously. On the Valentine's Day in 2018, the Group launched a European style yogurt "L' Amour", for which we mix Modern Dairy's high-quality milk sources with finely selected European imports of bacteria, and from milking to processing it takes less than two hours. We provided consumers with dual tastes of true love rose and romantic cranberry. The expansion of downstream brands helped the Group develop its market, enhance its brand awareness and create more development opportunities.

自二零一七年三月，蒙牛完成對本集團的強制性現金要約收購，本集團與蒙牛的業務協同進一步加強。直至本報告日期，蒙牛擁有本集團已發行股本60.76%。蒙牛作為中國內地乳業的領軍企業，與其合作加強既為本集團的高品質原奶銷售提供穩定基礎，也有助於借助蒙牛完善的銷售網絡，將本集團純真鮮活的牌牛奶送到千家萬戶。二零一七年七月十一日，本集團與蒙牛共同打造的常溫純牛奶「鮮語」首次亮相，採用銀白色「冰箱」概念的創新設計，象徵如冰箱般保持牛奶新鮮，突顯本集團「從擠奶到加工僅需兩小時」的獨特優勢。其後「鮮語」冠名現象級網絡綜藝節目《脫口秀大會》，借助互聯網營銷及宣傳活動為品牌帶來持續的高關注度。於二零一八年情人節，本集團推出歐式風味酸牛奶「萊慕」(L'Amour)，其將現代牧業高品質奶源混合精選歐洲進口菌種，而從擠奶到加工少於兩小時，為消費者帶來濃情玫瑰與浪漫蔓越莓雙重口味。下游品牌的拓展有助於本集團開拓市場，提高牌牛奶知名度，創造更多發展機遇。



CEO's Statement 總裁報告書

PROSPECTS

Looking ahead, the operation standard of dairy industry in China is constantly improving, and fast industry transformation and consumption and production upgrades have brought great potential for the development of dairy industry. The consumption of dairy products is expected to enter into a new stage due to the wealth effect and mounting consumption stimulated by the uplift of national economy and the gradual shattering of binary economic structure. The central government in recent years has successively promulgated a number of policies to strengthen its supports and guidances to dairy industry. At the beginning of 2017, the National Dairy Industry Development Plan (2016-2020) ("Plan") jointly promulgated by the Ministry of Agriculture, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Commerce and China Food and Drug Administration was officially released. The Plan outlined eleven tasks including "Developing Standardized Dairy Farming in Large-scale", "Accelerating Industrial Integration", "Building Domestic Dairy Brands" and etc. As the largest dairy farming company and raw milk supplier in China, the Group believes that a sound and sustainable development of dairy industry is rooted on an effective link and synergistic collaboration of each element within the industry chain. Through the ever-created green and cyclic economy model of zero-distance integration of forage grass planting, cow breeding and milk processing and only two hours from milking to processing, the Group is committed to establishing a national brand and a world-class modern farming enterprise. The Group will capitalise on the opportunity, ride on the trend and continue to stand out in the historic opportunity of the dairy industry's transformation.

Stepping into 2018, with the supply and demand of raw milk reaching equilibrium in China, the price of raw milk is expected to pick up modestly, and the Group's profit margin would be significantly improved. The Group commits to building a world class and most sophisticated farms, producing the best quality milk and focusing our devotion, profession and endeavour into the development of China's dairy industry, so as to provide the most nutritious milk for consumers and maximize the value for shareholders of the Company.

前景

展望未來，當前我國奶業營運水平不斷提升，行業轉型及消費端和生產端升級明顯加快，奶業未來發展潛力巨大。隨著國民經濟收入提升及二元經濟結構逐漸打破帶來的財富效應和消費升級，奶製品消費有望攀上新臺階。近年中央政府陸續出台多項政策加強對奶牛養殖業的扶持及引導。二零一七年初，由農業部、國家發展改革委、工業和信息化部、商務部、食品藥品監管總局共同組織制定的《全國奶業發展規劃(2016-2020)》(《規劃》)正式發布，《規劃》中提出包括「發展奶牛標準化規模養殖」、「加快推進產業一體化」、「打造國產乳品品牌」等十一大任務。作為中國最大的奶牛養殖企業及最大的原料奶供應商，本集團相信奶業的健康、可持續發展建立在產業鏈條每個環節的有效銜接、協同發展上。本集團通過首創的種養加一體化，擠奶到加工零距離兩小時的綠色經濟生態循環模式，以創立民族品牌和建設世界一流現代奶業為己任，本集團必乘勝出擊，順勢而為，在奶業升級轉型的歷史機遇中繼續脫穎而出，獨佔鰲頭。

進入二零一八年，隨著中國原奶供需關係漸趨平衡，原奶價格有望溫和回升，本集團利潤水平將顯著改善。本集團將致力創建世界最先進的牧場，生產世界最優質的牛奶，專心、專業、專注於中國乳業發展，為消費者提供最具營養價值的牛奶，為本公司股東創造最大的價值。



CEO's Statement 總裁報告書

The Group will resolutely adhere to the basic principle of quality first, promote scientific breeding and feeding technologies proactively, increase milk yield and quality, enhance competitiveness, and achieve transformation from product to brand and from manufacturing to creation.

As a Chinese saying goes, “The majestic pass and endless odyssey were clad in iron. Conquering them and beginning a new journey we carry on”. Looking back on 2017, despite the complicated conditions, the Group completed its epic self-transformation. As the Chinese always believe “Achievement of success lies in great determination and completion of achievement, in hard work”. Looking ahead to 2018, the Group will always strive for a sustainable and healthy development, continue to leverage on its own milk resources and advanced management advantages, and take the lead in transformation and upgrade in dairy industry.

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 year, and also extend our thanks to our shareholders, customers and business partners for their trust and support.

GAO Lina

Chief Executive Officer

Hong Kong, 26 March 2018

本集團將堅決執行質量至上的基本準則，積極研發及推廣科學養殖及餵飼技術，提高產奶量及質量，增強競爭力，實現從產品向品牌，從製造向創造的轉變。

雄關漫道真如鐵，而今邁步從頭越。回首二零一七年，在錯綜複雜的條件下，本集團成功完成了蕩氣迴腸的自我蛻變。功崇惟志，業廣惟勤。展望二零一八年，本集團將更加堅定開拓奶業持續健康發展之路，繼續發揮自有奶源和先進之管理優勢，引領探索奶業之轉型升級。

致謝

借此機會，本人僅代表董事會對公司全體員工一直以來的忠誠服務和貢獻，表示深深感謝，也在此對各位股東、客戶和商業夥伴的信任和支持深表感激。

高麗娜

總裁

香港，二零一八年三月二十六日



AWARDS AND SIGNIFICANT EVENTS

獎項及大事記

Award Summary for 2017

2017年獲獎匯總

獲獎時間 (年/月)	獎項名稱 (中文)	頒發機構 (中文)	Date of award	Name of award	Awarding body	Remark 備註
2018年3月	「世界食品品質 評鑒大會」金獎 (常溫純奶)	世界食品品質 評鑒大會	Mar-18	Gold Prize of "Monde Selection" (Room- temperature pure milk)	Monde Selection	
2017年6月	「世界食品品質 評鑒大會」金獎 (常溫純奶)	世界食品品質 評鑒大會	Jun-17	Gold Prize of "Monde Selection" (Room- temperature pure milk)	Monde Selection	
2017年6月	「世界食品品質評鑒 大會」銀獎 (常溫酸奶)	世界食品品質 評鑒大會	Jun-17	Silver Prize of "Monde Selection" (Room- temperature yogurt)	Monde Selection	
2017年6月	「種養加」一體化生 產模式獲SGS認證	瑞士通用公證行 SGS認證	Jun-17	Production mode of "integration of planting, breeding and processing" recognized by SGS	Swiss SGS certification	
2017年7月	健康引領獎	第六屆中國食品 健康七星獎	Jul-17	Health Leader Award	The 6th China Seven-Star Convention Alliance Award	
2017年10月	2017中國廣告 長城獎廣告主獎	中國廣告協會	Oct-17	The Advertiser Award of The Greatwall Award of China 2017	China Advertising Association	
2017年11月	科睿獎品牌創新 金獎	科睿國際創新節	Nov-17	Gold Prize of Brand Innovation	Creative International Innovation Festival	
2017年12月	2017網易態度 營銷大賞態度 新銳獎	網易態度營銷大賞	Dec-17	Attitude Boldness Award of NetEase Attitude Marketing Award 2017	NetEase Attitude Marketing Award	
2017年12月	年度最佳企業領袖	中國融資大獎	Dec-17	Best Business Leader of The Year	China Financing Grand Prize	
2017年12月	最具社會責任 上市公司大獎	金港股	Dec-17	Award for the Most Social Responsible Listed Company	Golden Hong Kong Stock	



连续五年获得世界食品品质评鉴大会

金 獎



Awards and Significant Events 獎項及大事記

Significant Events for 2017

2017年度大事記匯總

Date 日期	Events 事件
February 2017	
20 February 2017	Mr. Wang Yang, the Vice Premier of the State Council by then, Mr. Lu Weifung, the Vice-governor of Heilongjiang Province and Mr. Song Xibin, the Mayor of Harbin conducted site visit and research to Shuangcheng Farm of Modern Dairy. Our management, Mr. Han Chunlin, accompanied them on the visit.
14 February 2017	Mengniu made a conditional mandatory cash offer to acquire the entire issued shares of the Company.
2017年2月	
2017年2月20日	時任國務院副總理汪洋先生、黑龍江省副省長呂維峰先生、哈爾濱市市長宋希斌先生等一行蒞臨現代牧業雙城牧場實地考察調研，韓春林先生等相關負責人陪同參觀。
2017年2月14日	蒙牛提出有條件強制性現金要約收購本公司全部已發行股份。
March 2017	
21 March 2017	Conditional mandatory cash offer made by Mengniu completed.
2017年3月	
2017年3月21日	蒙牛提出的有條件強制性現金要約完成。
May 2017	
29 May 2017	Pure milk of Modern Dairy won the gold prize of Monde Selection, renowned as "Nobel Prize" in the food industry, for the fourth consecutive year, whereas the yogurt of Modern Dairy was awarded with the silver prize for the first time. They represented that the quality of Modern Dairy milk is now able to meet the high requirement on evaluation benchmark of international food continuously.
2017年5月	
2017年5月29日	現代牧業純牛奶連續四年獲素有食品業「諾貝爾獎」之稱的「世界食品品質評鑒大會」金獎，同時現代牧業酸牛奶首次榮獲大會銀獎。意味著現代牧業牛奶的品質已經穩定達到了國際食品評價基準的較高要求。



Awards and Significant Events 獎項及大事記

Date 日期	Events 事件
June 2017	
16 June 2017	Hosted by China Dairy Association, the 8th Dairy Conference of China & 2017 China Dairy Exhibition was convened in Nanjing International Expo Center. As one of the top 20 enterprises in China dairy industry, Modern Dairy attended the exhibition and shared advanced models with high-quality products such as pure milk, which won the international gold prize for the fourth consecutive year.
20 June 2017	On 20 June, Modern Dairy's production mode of "integration of planting, breeding and processing" officially passed the Swiss SGS certification, becoming the first and only enterprise in China whose integration production model passed SGS certification.
2017年6月	
2017年6月16日	由中國奶業協會主辦的第八屆中國奶業大會暨2017中國奶業展覽會在南京國際博覽中心盛大召開，現代牧業作為中國奶業20強企業，攜國際金獎四連冠的純牛奶等優質產品出席會議並分享先進模式。
2017年6月20日	6月20日，現代牧業「種養加」一體化生產模式正式通過瑞士通用公證行SGS認證，成為國內首家、也是唯一一家一體化生產模式通過SGS認證的企業。



Awards and Significant Events 獎項及大事記

Date 日期	Events 事件
July 2017	
5 July 2017	China Seven-Star Convention Alliance held an award ceremony of the 6th China Seven-Star Convention Alliance Award in Beijing. Modern Dairy was awarded with "Health Leader Award".
11 July 2017	The press conference of Modern Dairy winning the world gold prize for four consecutive years and achievement reports of high-quality dairy was convened in Beijing. "Fresh", the new products of Modern Dairy, made its debut in the press conference.
20 July 2017	"Quality Report of China Dairy Industry (2017)" revealed that the leading enterprises of dairy industry in China such as Modern Dairy had an outstanding performance.
27 July 2017	D20 Summit for Dairy Industry of China 2017 was convened in Qiqihar, Heilongjiang. Yu Kangzhen, the Vice Minister of Agriculture, Mr. Gao Hongbin, the chairman of China Dairy Association and Mr. Sun Meijun, the Director of Safety Control of the China Food and Drug Administration, attended the summit. Ms. Gao Lina, attended the summit and gave a speech in relation to "milking to processing within two hours".
2017年7月	
2017年7月5日	由中國食品健康七星公約聯盟發起的第六屆中國食品健康七星獎頒獎典禮於北京隆重舉行，現代牧業斬獲「健康引領獎」殊榮。
2017年7月11日	現代牧業四連冠世界金獎暨優質乳成果報告新聞發佈會在北京召開，現代牧業新品「鮮語」在發佈會上首次亮相。
2017年7月20日	《中國奶業質量報告(2017)》發佈，報告稱現代牧業等中國奶業領軍企業表現突出。
2017年7月27日	2017中國奶業D20峰會在黑龍江齊齊哈爾市召開，農業部副部長于康震、中國奶業協會會長高鴻賓、國家食品藥品監督管理總局食品安全監管總監孫梅君等領導出席會議。高麗娜女士出席會議並圍繞「2小時從擠奶到加工」發表演講。
August 2017	
9 August 2017	Delivery for Modern Dairy's "Fresh" pure milk was made for the first time, with package adopting the innovative design concept of fridge, keeping milk fresh by "milking to processing within two hours".
2017年8月	
2017年8月9日	現代牧業「鮮語」純牛奶首發，包裝設計創新地融合冰箱元素，通過「從擠奶到加工只需2小時」鎖住牛奶的鮮度。



Awards and Significant Events 獎項及大事記

Date 日期	Events 事件
September 2017	
September 2017	Modern Dairy successfully raised funds of three-year syndicated loan amounting to USD300 million.
27 September 2017	As the designated dairy product of “the Belt and Road” Ecological Agriculture and Food Safety Forum, Modern Dairy’s “Fresh” pure milk was introduced at the 9th “the Belt and Road” Ecological Agriculture and Food Safety Forum of Euro-Asia Economic Forum 2017.
2017年9月	
2017年9月	現代牧業成功籌組3億美元3年期銀團貸款。
2017年9月27日	現代牧業鮮語純牛奶作為「一帶一路」生態農業與食品安全論壇的指定乳品於2017歐亞經濟論壇·第九屆「一帶一路」生態農業與食品安全論壇亮相。
October 2017	
19 October 2017	The documentary “China Revealed”, the third season of “China’s Mega Projects III” of CCTV focused on large-scale breeding and “integrated production model with zero distance” practiced by leading companies in the industry represented by Modern Dairy.
24 October 2017	Modern Dairy’s “Fresh” won “The Advertiser Award of The Greatwall Award of China 2017”.
2017年10月	
2017年10月19日	CCTV紀錄片《超級工程》第三季「縱橫中國」集中記錄了以現代牧業為代表的行業領先者的規模化養殖和「零距離一體化」模式。
2017年10月24日	現代牧業「鮮語」斬獲「2017中國廣告長城獎廣告主獎」。
November 2017	
14 November 2017	The chairman of Monde Selection visited Bengbu Farm of Modern Dairy.
25 November 2017	The work of “Package Design of Modern Dairy’s Fresh” was awarded with Gold Prize of Brand Innovation at Creative International Innovation Festival 2017.
2017年11月	
2017年11月14日	世界食品品質評鑒大會主席一行來到現代牧業蚌埠牧場進行參觀。
2017年11月25日	《現代牧業·鮮語包裝設計》作品榮獲2017科睿國際創新節—科睿獎品牌創新金獎。
December 2017	“Fresh”, a room-temperature pure milk, has been awarded the title of “Official Milk of the 2018 FIFA World Cup™”, marking a big leap forward made by Modern Dairy onto the international stage.
2017年12月	常溫純牛奶「鮮語」獲得「2018 FIFA世界杯官方牛奶」，標志著現代牧業進一步走向國際舞台。



MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

INDUSTRY OVERVIEW: RECOVERED FROM COLD WINTER

After the Chinese Lunar New Year in 2017, as demand for raw milk from major dairy enterprises plunged, surplus of raw milk in the market led to a continuous decrease in raw milk price. For each summer as a seasonal effect, raw milk production decreases due to the heat stress of cows caused by the high temperature and rainy weather throughout the country. The upstream dairy industry suffered from distressed business environment, with small-scale farms' withdrawal from the market and large-scale farms' decreasing operation profitability.

In the second half of 2017, International Farm Comparison Network (IFCN) announced at the 18th IFCN Dairy Conference held in Kyle, Germany that the second global dairy crisis since 2013 has come to an end and the global milk price was entering a new cycle in 2018. The supply and demand of raw milk gradually struck the balance in the second half of 2017 as a result of decline in domestic dairy herd size. The oversupply situation was eased and the domestic raw milk price rebounded significantly in the second half of 2017 comparing with the first half of 2017.

Since dairy industry is an important indicator of a country's agricultural modernization level, it is strategically significant to develop, expand and rejuvenate the industry so as to achieve a moderately prosperous society. In view of this, the relevant state departments have taken a series of supportive policies: in early 2017, the "National Development Planning for Dairy Industry (2016-2020)" jointly formulated by the Ministry of Agriculture, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Commerce, and the Food and Drug Administration was officially promulgated, putting forward eleven major tasks such as "Developing Standardized Dairy Farming in Large-scale", "Accelerating Industrial Integration" and "Building Domestic Dairy Brands"; in June, the Dairy Association of China held the 8th Dairy Conference of China & the 2017 China Dairy Exhibition; in July, D20 Summit of the Dairy Industry of China 2017 which was themed "Building Brands and Revitalizing Dairy Industry", was held; The Dairy Association of China and Milk and Dairy Products Quality Supervision Inspection and Test Center of Ministry of Agriculture jointly released "Quality Report of China Dairy Industry (2017)"; on 1 January 2018, the most stringent registration system for infant milk powder formula was officially implemented. The introduction of these series of policies marked the state's determination to lead the reform, reshape the layout in the dairy industry and become a strong dairy nation.

行業概覽：走出寒冬，步向復蘇

二零一七年春節過後，各大乳企原奶需求驟減，原奶市場供大於求，原奶價格持續下行。進入夏季受季節性影響，全國各地高溫、陰雨天氣嚴重，奶牛熱應激造成原奶產量下降。小規模牧場大量退出，大規模牧場經營利潤連連下降，上游乳業儼然處於失望之寒冬。

進入二零一七年下半年，國際奶農聯盟IFCN在德國凱爾舉行的第18屆IFCN奶業大會上宣布，自二零一三年以來的第二次全球奶業危機已經結束，全球奶價在二零一八年將進入一個新周期。隨著國內奶牛存欄量的下降，二零一七年下半年原奶供需漸趨平衡，原奶過剩的局面得到緩解，國內原奶價格於二零一七年下半年較上半年有明顯回升。

乳業作為一個國家農業現代化水平的重要標志，發展、壯大、振興中國乳業對全面實現小康社會具有重大戰略意義。有見及此，國家相關部門相繼採取多項政策扶持乳業：二零一七年初，由農業部、國家發展改革委、工業和信息化部、商務部、食品藥品監管總局共同組織制定的《全國奶業發展規劃(2016-2020)》正式發布，提出包括「發展奶牛標準化規模養殖」、「加快推進產業一體化」、「打造國產乳品品牌」等十一大任務；六月，中國奶業協會舉辦第八屆中國奶業大會暨2017中國奶業展覽會；七月，以「鑄就品牌，振興奶業」為主題的2017中國奶業D20峰會召開；中國奶業協會和農業部奶及奶制品質量監督檢驗測試中心共同發布《中國奶業質量報告(2017)》；二零一八年一月一日，最嚴的嬰幼兒奶粉配方註冊制正式實施。系列政策出台標志著國家主導乳業變革，重塑乳業格局，建設乳業強國的決心。



Management Discussion and Analysis 管理層討論及分析

With the ongoing upgrades of domestic consumption in the first and second tier cities, the breaking of urban-rural dualistic structure, and the wealth effect in the third and fourth tier cities, the domestic consumption for high-quality dairy products is ready for further improvements which pose a great potential for the dairy industry. Currently, China's dairy industry is under transformation. Only large-scale farms with intensive, detailed and scientific operation can fulfill the growing demand for high-quality raw milk. The integration of upstream and lower stream business helps to build a win-win situation and has become the trend of dairy industry.

After a three-year low, the international raw milk price has rebounded in second half of 2017, with domestic supply and demand reaching equilibrium by the end of 2017. Raw milk price has entered into an upward trend cycle and the industry is heading towards a brand-new spring of hope and revival.

BUSINESS REVIEW: FREE FROM BURDEN AND STRENGTHEN COORDINATION, FOCUS ON UPSTREAM WITH EXISTING ADVANTAGES

In 2017, revolution, cooperation and transformation were the three key words of the Group. During the year, the Group was primarily engaged in two businesses: (i) dairy farming business, which mainly involves the production and sales of raw milk to customers for processing into dairy products; and (ii) the business of branded liquid milk which mainly involves the production and sales of liquid milk product. In June 2017, the Group has preliminary entered into a supply and processing framework agreement with Mengniu Group, pursuant to which the Group sell the branded liquid milk products to Mengniu Group by the way of cost plus 3%, and Mengniu Group would be responsible for the sales and distribution of the Group's brand milk products. In January 2018, the Group announced that Modern Farming (Group) Co., Ltd., the Company's subsidiary ("Modern Farming") and Inner Mongolia Mengniu Dairy (Group) Company Limited ("Inner Mongolia Mengniu") entered into two share transfer agreements, pursuant to which Modern Farming agreed to sell, and Inner Mongolia Mengniu agreed to acquire 50% of Modern Dairy (Feidong) Co., Ltd. ("Feidong") and Modern Dairy (Bengbu) Co., Ltd. ("Bengbu") which are attributed to two milk production business units. Feidong and Bengbu will cease to be subsidiaries of the Company upon completion of the Disposal which was approved by shareholders of the Company in March 2018.

For the reporting period, the Group has continued in striving for high standards on raw milk quality and won the market trust by our high-end products with "purity, genuineness, freshness and vitality", the integration of "planting – farming – processing" and the advanced production model of two-hour milking to processing. The Group also adheres to the principle of prioritized safety, proactively

伴隨國內一二線城市消費持續升級，城鄉二元結構打破，三四線城市財富效應顯現，國內高質量乳製品的消費空間將進一步打開，乳製品行業潛力巨大。當前，中國奶業正值升級轉型，只有規模化、集約化、精細化的科學養殖才能滿足消費者日益增長的高品質原奶需求，而產業鏈上下游的整合既是利益共贏之需，也是乳業發展之勢。

走過三年低谷，國際原奶價格已在二零一七年下半年反彈，而國內原奶供求關係在二零一七年底到達平衡點，原奶價格步入上漲周期，行業正走向一個全新的希望與復蘇之春。

業務回顧：擺脫包袱加強協同，立足優勢專注上游

二零一七年，變革、協同與蛻變是本集團的三大關鍵詞。本年度，本集團主要從事兩項業務，包括：(i) 奶牛養殖業務（主要生產和銷售原料奶予客戶用於加工成乳製品）；及(ii) 自有品牌液態奶業務（主要生產和銷售液態奶產品）。於二零一七年六月，本集團與蒙牛集團初步簽訂了框架供應和加工協議，本集團品牌奶產品採用成本加成3%的方式售予蒙牛集團，由蒙牛集團負責本集團自有品牌奶的銷售和分銷事宜。於二零一八年一月，本集團宣布本公司的附屬子公司現代牧業(集團)有限公司(「現代牧業(集團)」)與內蒙古蒙牛乳業(集團)股份有限公司(「內蒙古蒙牛」)訂立兩份股權轉讓協議，據此，現代牧業(集團)同意出售及內蒙古蒙牛同意收購現代牧業(肥東)有限公司(「肥東」)及現代牧業(蚌埠)有限公司(「蚌埠」)的50%權益，其歸入兩個牛奶生產業務單位。於完成本公司股東在二零一八年三月批准的出售事項後，肥東及蚌埠將不再為本公司的附屬子公司。

報告期內，本集團一如既往地堅持對原奶品質的高標準要求，以產品「純、真、鮮、活」的高端品質以及「種植－養殖－加工」一體化、擠奶到加工兩小時完成的先進生產模式贏得市場的信賴。本集團亦秉持安全質量為先的原則，積極開發及實施現代化的科學養殖及喂飼技術。在成本端，



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develops and implements modern scientific breeding and feeding know-how. On cost aspect, the Group has lowered operating costs by refining management, improving nutrients, and taking measures to economize expenditure. On income aspect, the Group boosted core income by optimizing the herd portfolio, scientific farming and improving the unit production output. Both cost reduction and unit production dually led the Group's core business to achieve sustainable and healthy development.

On 21 March 2017, the Mengniu Group completed a mandatory cash offer acquisition towards the Group and Mengniu Group owns 60.76% of issued share capital of the Company up to the date of this report. The synergy between the Group and Mengniu Group was further strengthened after Mengniu Group has increased its stake in the Company. As Mengniu is a leading enterprise in dairy industry in mainland China with solid distribution network, strengthening the cooperation with Mengniu will not only provide the Group with stable sale of high-quality raw milk but also helps to deliver our branded milk of "purity, genuineness, freshness and vitality" to the mass retail market.

In 2017, the Group has undergone a series of revolutions. Unit production and cost reduction were implemented and improved simultaneously in the upstream business. For the lower stream business, the Group took proactive changes, which strengthened the synergies with Mengniu Group. After getting rid of the historical burden, the Group will leverage its existing advantages in resource and re-focus on its upper stream dairy farming business. As for the lower stream business, the Group will closely cooperate with Mengniu to enhance our brand competitiveness.

通過精細化管理、改善配方、開源節流降低運營成本；在收入端，通過優化牛群結構、科學化養殖、提高單產增加核心收入。降成本、提單產如兩輛馬車並駕齊驅，帶領本集團的核心業務實現可持續健康發展。

於二零一七年三月二十一日，蒙牛集團完成對本集團的強制性現金要約收購，直至本報告日期，蒙牛集團擁有本公司已發行股本60.76%。於蒙牛集團增加於本公司之權益後，本集團與蒙牛集團的協同進一步加強。蒙牛作為擁有穩健分銷網絡的中國內地乳業領軍企業，與其合作加強既為本集團的高品質原奶輸出提供穩定基礎，也有助於將本集團純真鮮活的牌牛奶送到大眾零售市場。

二零一七年，本集團經歷了一系列的變革。上游業務提單產降成本並駕齊驅；下游業務主動變革，加強與蒙牛集團協同效應。擺脫歷史包袱後，本集團將立足資源優勢，重新專注上游奶牛養殖業務；下游牌牛奶則通過與蒙牛集團的緊密合作強化品牌競爭力。



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In July 2017, “Fresh”, the room-temperature pure milk jointly developed by the Group and Mengniu Group made its debut. The packaging of “Fresh” adopts the innovative design concept of silver/white “fridge”, symbolizing a refrigerator-like freshness, and highlighting the Group’s unique feature of “two-hour milking to processing”. “Fresh” sponsored the popular internet entertainment show “ROCK & ROAST”, and the brand got high exposure in the internet medias.

On the Valentine’s Day in 2018, the Group launched its European-style yogurt “L’Amour” which adopts the Company’s high-quality milk sources with finely selected Europe imported bacteria, which finishes milking to processing in two hours. It offers consumers with two combined flavors, Love Rose and Romantic Cranberry. The Group believes that the series of initiatives will help strengthen its core competitiveness, reduce operating costs and improve efficiency, pave the way to maximize the Group’s value.

二零一七年七月，本集團與蒙牛集團共同打造的常溫純牛奶「鮮語」首次亮相，採用銀白色「冰箱」概念的創新設計，象徵如冰箱般保持牛奶新鮮，突顯本集團「從擠奶到加工僅需兩小時」的獨特優勢，其後「鮮語」冠名流量級網絡綜藝節目《脫口秀大會》，於互聯網媒體為品牌帶來高曝光率。

於二零一八年情人節，本集團推出歐式風味酸牛奶「萊慕」(L’Amour)，採用現代牧業高品質奶源，精選歐洲進口菌種，從擠奶到加工兩小時完成，為消費者帶來濃情玫瑰與浪漫蔓越莓雙重口味。本集團相信系列舉措有利於提升公司的核心競爭優勢、降本增效，實現集團價值的最大化。



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As a pioneer in the domestic large-scale dairy farming, the Group created the production model of “Integration of Planting, Breeding and Processing, Zero Distance and Two Hours”. With efficient interaction between large scale farms coupled with advanced milk processing plant, the Group could achieve organic integration and seamless connection with zero distance among primary, secondary and tertiary industry. The Group’s milk quality has consistently met stringent requirements of international food rating standards, and thus has won a widespread recognition. On 29 May 2017, at Monde Selection, which is generally regarded as “Nobel Prize” in the food industry, the Group’s pure milk was awarded the Gold Prize for the fourth consecutive year, while the room-temperature yogurt was also awarded the silver prize on the same event. The awards of such honor fully prove that the quality of the Group’s raw milk has been well recognised globally by worldwide authorities and is well up to international top-notch level. At the D20 Summit held in July 2017, Modern Dairy has become the focus again and attracted the interests of both CCTV and News Network. In October 2017, story about Modern Dairy was broadcasted in the documentary “China Revealed”, the third season of “China’s Mega Projects”, introducing large-scale breeding and “integrated production model with zero distance” in detail.

Subsequent to the reporting year, the Group’s pure milk was awarded the Gold Prize at the Monde Selection for the fifth consecutive year creating a new pure milk award-winning record within the industry.

On 20 June 2017, the Group became the first and only enterprise in the China with integrated production model recognized by SGS, a world-leading inspection, verification, testing and certification company, demonstrating the Group’s innovative “Integration production model” has passed the stringent inspection performed by the international authoritative inspection institutions.

作為國內最早開展規模化養殖的探路者，本集團首創「種養加一體化、零距離兩小時」的生產模式，規模化的牧場與現代化的加工廠上下聯動，實現一、二、三產業的有機融合及零距離無縫鏈接，本集團的牛奶品質已穩定達到國際食品評價基準的嚴格要求，並獲得廣泛認同。二零一七年五月二十九日，在素有食品業「諾貝爾獎」之稱的世界食品品質評鑒大會(Monde Selection)上，本集團的純牛奶連續四年獲得金獎，本集團常溫酸奶亦榮獲大會銀獎。再次蟬聯該獎充分證明本集團的原奶品質獲得世界權威專業人士的肯定，已於世界領先水平。在二零一七年七月的D20峰會上，現代牧業再一次吸引到央視和新聞聯播的聚焦和關注。二零一七年十月現代牧業登上央視《超級工程》第三季「縱橫中國」，該紀錄片詳細介紹了現代牧業規模化養殖和「零距離一體化」模式。

於滙報年後，本集團的純牛奶再次榮獲世界食品品質之平鑒大會的金獎，五度蟬聯，刷新純牛奶業內的獲獎記錄。

二零一七年六月二十日，本集團成為國內首家、也是唯一一家一體化生產模式通過SGS(一間世界頂尖的檢查、檢測、測試及認證公司)認證的企業，意味著本集團「種養加一體化」的創新生產模式通過國際權威檢測機構的嚴苛檢驗，達到國際級標準。



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OUR DAIRY FARMS

We are the largest dairy farming company and the largest producer of raw milk in mainland China in terms of herd size and volume of production. As at 31 December 2017, the Group operates a total of 26 dairy farms (within herd size each close to or over 10,000 dairy cows) in mainland China with 233,058 dairy cows in total. As a nationwide farm, we are endowed with unique geographical advantages that our farms are adjacent to various processing plants of dairy products and abundant supply of feed. For the year ended 31 December 2017, the dairy farming business of the Group recorded external sales revenue of RMB4,119.2 million, representing 86.11% of the total revenue of the Group. Total external sales volume of raw milk amounted to 1,075,538 tons.

我們的牧場

按畜牧規模及產量，我們是中國內地最大的乳牛畜牧公司及最大的原料奶生產商。於二零一七年十二月三十一日，本集團共在中國內地營運26個萬頭牧場，飼養共233,058頭乳牛。作為全國性牧場，我們具備得天獨厚的地理優勢。我們的牧場臨近多個下游乳品加工廠及充足飼料供應。截至二零一七年十二月三十一日止年度，本集團奶牛養殖業務對外銷售錄得人民幣4,119.2百萬元，佔本集團總收入的86.11%，原奶總外部銷量為1,075,538噸。



Our financial performance are directly affected by the milk yield per milkable cow. In general, as milk yield per milkable cow improves, the unit cash costs of production of milk decreases. Milk yield per milkable cow is affected by a number of factors, including a cow's stage of lactation, breed, genetics and feed mix. For the year ended 31 December 2017, we have recorded an average annual milk yield of 9.8 tons per milkable cow, representing an increase of 0.4 tons from 9.4 tons per milkable cow of last year. Cash costs of milk decreased to RMB2.43/kg this year from RMB2.53/kg of last year. Proportion of milkable cows increased to 54.4% for the current year from 52.0% of last year.

我們的財務表現直接受每頭成乳牛的產奶量影響。一般而言，當每頭成乳牛的產奶量有所提高，生產單位的現金成本便會減少。每頭成乳牛產奶量受多項因素所影響，其中包括奶牛的泌乳階段、品種、基因及飼料調配。截至二零一七年十二月三十一日止年度，我們錄得平均每頭成乳牛年產量9.8噸，較上一個年度的9.4噸提高0.4噸。每公斤牛奶現金成本由上一個年度的人民幣2.53元降低至本年度的每公斤人民幣2.43元。成乳牛佔比由上一個年度的52.0%提高至本年度54.4%。



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The cash EBITDA⁽¹⁾ increased to RMB1,081.8 million for the year ended 31 December 2017 (2016: RMB840.4 million). As a result of an increase of milk yield from milkable cow, the Group's cash EBITDA margin increased to 22.61% for the year ended 31 December 2017 (2016: 17.28%).

PROSPECTS: INDUSTRIAL UPGRADING AND SYNERGY

Since the decade-old melamine incident, the industry has been highly attentive to milk quality and safety. After a decade of industrial upgrading, the Quality Report of China Dairy Industry (2017) which was released in 2017, pointed out that the quality of domestic dairy products has increased significantly. As supply-side reform gradually deepens and, continuous upgrading in the demand-side consumption catalyse in an increasing demand for quality milk in the market. The improvement in both quality and quantity of dairy products and the sound and sustainable development of the dairy industry are based on the effective link and synergetic development of every sector in the entire industry chain. The green development and sustainable economy model of "Integration of Planting, Breeding and Processing, Zero Distance and Two Hours Within Milking to Processing" first created by the Group for its upper stream development, along with the strong and complementary cooperation between our lower stream brands and Mengniu Group, have high degree of consistency with the core philosophy of the "Thirteenth Five-year" Plan for the dairy industry and conforms to the historical trend of industrial upgrading and development.

Along with the recovery in milk price and the decline in domestic dairy herd size, the supply and demand of raw milk in mainland China has achieved equilibrium by the end of 2017. Some experts estimated that the price of domestic raw milk will show a moderate increase in 2018, which indicates that the upper stream farming industry is recovering from depression. Being the largest dairy farming enterprise in mainland China, the Group will follow the trend, increase unit production output, reduce operation cost, optimize herd structure and improve quality in the upper stream, and, for lower stream development, seek for cooperation, establish brands and inject more impetus. Based on our existing upper stream strengths, we will improve performance through a large-scale, standardized and integrated breeding model, and regard high standard, high positioning and high starting point as our corporate orientations so as to provide consumers with quality dairy products.

Note 1:

Cash EBITDA is defined as *loss before finance costs and tax* after having added back: i) depreciation for property plant and equipment; ii) amortization; iii) other gains and losses, net; and iv) loss arising from changes in fair value less costs to sell of dairy cows.

現金EBITDA⁽¹⁾於截至二零一七年十二月三十一日止年度增加至人民幣1,081.8百萬元(2016: 人民幣840.4百萬元)。因成乳牛產量上升, 本集團的現金EBITDA利潤率增至截至二零一七年十二月三十一日止年度22.61%(二零一六年: 17.28%)。

前景：產業升級及行業協同

自十年前三聚氰胺事件後, 行業對奶源的質量及安全空前重視。經過近十年的行業升級, 二零一七年發布的《中國奶業質量報告(2017)》指出, 目前國內乳品質量大幅上升。隨著中國供給側改革的逐步深入, 需求端消費升級的持續釋放, 市場對優質牛奶的需求與日俱增。乳品質與量的齊升, 乳業健康、可持續的發展都建立在全產業鏈條每個環節的有效銜接、協同發展上。本集團上游首創的零距離兩小時、種養加一體化的綠色發展、循環經濟模式, 下游品牌與蒙牛集團強強聯合、龍吟虎嘯的合作模式, 既與「十三五」奶業規劃的核心思想高度契合, 也順應行業升級發展的歷史趨勢。

隨著奶價回暖, 國內奶牛存欄量的下降, 中國內地原奶供求已在二零一七年底達到平衡。多名專家預計二零一八年國內原奶價格將溫和上升, 標誌著上游養殖行業已走出低谷。作為中國內地最大的奶牛養殖企業, 本集團將順勢而為, 上游提單產、降成本、優結構、促質量; 下游謀合作、創品牌、增活力; 立足上游優勢, 以規模化、標準化、一體化的養殖模式提升業績, 以高標準、高定位、高起點的企業定位為消費者提供優質乳品。

註1:

現金EBITDA定義為在加回以下項目後的除融資成本及稅項前虧損: i)物業廠房及設備折舊; ii)攤銷; iii)其他收益及虧損淨額; 及iv)乳牛公平值變動減乳牛銷售成本產生的虧損。



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FINANCIAL HIGHLIGHTS**Herd Size****財務摘要****畜群規模**

		As at 31 December 2017 於二零一七年 十二月三十一日 Head 頭	As at 31 December 2016 於二零一六年 十二月三十一日 Head 頭
Dairy cows	乳牛		
Milkable cows	成乳牛	126,839	119,286
Heifers and calves	小母牛及小牛	106,219	109,914
Total number of dairy cows	乳牛總計	233,058	229,200

As at 31 December 2017, we are the largest dairy farming company in terms of herd size as well as the largest raw milk supplier in mainland China. The current herd size of the Group was 233,058 head of dairy cows compared to 229,200 head of dairy cows as at 31 December 2016.

Milk Yield

As of the year ended 31 December 2017, we recorded an average annual milk yield of 9.8 tons per milkable cow, representing an increase of 4.26% as compared to 9.4 tons as of the year ended 31 December 2016. Such results are attributable to effective herd management, genetic quality improvement of our cows through generations and increase in the number of cows reaching the peak stage of lactation.

於二零一七年十二月三十一日，我們為中國內地最大乳牛養殖公司(以畜群規模計)以及最大原料奶供應商。本集團現有畜群規模為233,058頭乳牛，而二零一六年十二月三十一日為229,200頭乳牛。

產奶量

截至二零一七年十二月三十一日止年度，我們錄得平均每頭成乳牛年產奶量9.8噸，較截至二零一六年十二月三十一日止年度的9.4噸增加4.26%。這是由於有效的畜群管理、透過一代代改善乳牛品質基因以及更多奶牛達至泌乳高峰期所致。



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FINANCIAL OVERVIEW

Revenue

The following table sets forth the breakdown of the consolidated revenue of our two operating segments for the years ended 31 December 2017 and 2016, respectively:

		For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度			For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度		
		External Sales 外部銷售 RMB'000 人民幣千元	Internal Sales 內部銷售 RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	External Sales 外部銷售 RMB'000 人民幣千元	Internal Sales 內部銷售 RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元
Sales of raw milk business	原料奶銷售業務	4,119,192	280,166	4,399,358	3,383,567	604,476	3,988,043
Sales of liquid milk products business	液態奶產品銷售業務	664,609	-	664,609	1,478,744	-	1,478,744
Consolidated revenue	合併收入	4,783,801	280,166	5,063,967	4,862,311	604,476	5,466,787

The Group's revenue slightly decreased by 1.61% to RMB4,783.8 million for the year ended 31 December 2017 (2016: RMB4,862.3 million), mainly due to the impact of business transition of branded milk in the market.

The following table sets forth the details of sales revenue, sales volume and average selling price ("ASP") of our raw milk for the periods indicated:

		For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度			For the year ended 31 December 2016 截至二零一六年十二月三十一日止年度		
		Sales revenue 銷售收入 RMB'000 人民幣千元	Sales volume 銷售量 tons 噸	ASP 平均售價 RMB/ton 人民幣元/噸	Sales revenue 銷售收入 RMB'000 人民幣千元	Sales volume 銷售量 tons 噸	ASP 平均售價 RMB/ton 人民幣元/噸
Raw milk	原料奶						
External sales	外部銷售	4,119,192	1,075,538	3,830	3,383,567	855,353	3,956
Internal sales	內部銷售	280,166	73,235	3,826	604,476	154,501	3,912
Subtotal	小計	4,399,358	1,148,773	3,830	3,988,043	1,009,854	3,949

財務概況

收入

下表分別是截至二零一七年及二零一六年十二月三十一日止年度兩個投產分部合併收入明細分析：

本集團的收入略降1.61%至截至二零一七年十二月三十一日止年度的人民幣4,783.8百萬元(二零一六年：人民幣4,862.3百萬元)。主要是受業務及品牌奶市場交接的影響。

有關所示期間的原料奶的銷售收入、銷售量及平均售價詳見下表：



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- **Dairy farming business**

Sales revenue of raw milk for the year ended 31 December 2017 (as an aggregate of external and internal sale) increased by 10.32% from RMB3,988.0 million for the same period of last year to RMB4,399.4 million.

External sales of raw milk has recorded an 21.74% increase from last reporting year of RMB3,383.6 million to current reporting year of RMB4,119.2 million.

Although ASP of raw milk decreased by 3.04% from RMB3.95/kg for the year ended 31 December 2016 to RMB3.83/kg for the year ended 31 December 2017, our sales volume increased by 13.76% from 1.010 million tons for the same period of last year to 1.149 million tons as at 31 December 2017, mainly due to the increase in annual milk yield per cow and number of milkable cows.

- **Liquid milk products business**

The business model of downstream business has undergone repositioning. Starting from mid-2017, the Group started to sell its liquid milk products by way of cost plus 3% to Mengniu Group. As result of rebuilding the pricing mechanism, revenue from our liquid milk products business decreased by 55.06% from RMB1,478.7 million for the year ended 31 December 2016 to RMB664.6 million for the year ended 31 December 2017. For the years ended 31 December 2016 and 2017, the revenue from liquid milk products business accounted for 30.41% and 13.89% of the combined revenue for the respective year.

Total sales volume of our liquid milk decreased by 50.38% from 150,313 tons for the year ended 31 December 2016 to 74,584 tons for the year ended 31 December 2017.

- **乳牛養殖業務**

截至二零一七年十二月三十一日止年度的原奶銷售收入(外部及內部總計)由去年同期的人民幣3,988.0百萬元增加至人民幣4,399.4百萬元，增幅為10.32%。

原料奶的外部銷售由上一個匯報年度的人民幣3,383.6百萬元增加21.74%至本匯報年度的人民幣4,119.2百萬元。

儘管原料奶平均售價自截至二零一六年十二月三十一日止年度的3.95元/公斤降低至截至二零一七年十二月三十一日止年度的3.83元/公斤，降幅達3.04%。但是我們的銷量從上年同期的1.010百萬噸增長至截至二零一七年十二月三十一日止年度的1.149百萬噸，增長了13.76%。主要是由於每頭奶牛的年產奶量上升及成乳牛數量增加所致。

- **液態奶產品業務**

下游業務的業務模式已進行重新定位。由二零一七年年中期開始，本集團開始以成本加成3%的方式出售液態奶產品予蒙牛集團。由於重建定價機制，我們的液態奶產品業務的收入自截至二零一六年十二月三十一日止年度的人民幣1,478.7百萬元降低55.06%至截至二零一七年十二月三十一日止年度的人民幣664.6百萬元。截至二零一六年及二零一七年十二月三十一日止年度液態奶產品業務的收入分別佔該等年度合併收入的30.41%及13.89%。

液態奶總銷售量自截至二零一六年十二月三十一日止年度的150,313噸降低50.38%至截至二零一七年十二月三十一日止年度的74,584噸。



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COST OF SALES BEFORE RAW MILK FAIR VALUE ADJUSTMENTS

The Group's cost of sales before raw milk fair value adjustments primarily consisted of cost of dairy farming and cost of liquid milk products. The following table sets forth the breakdown of the cost of sales of our products for the years indicated:

Cost of sales before raw milk fair value adjustments

- Dairy farming business:**

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日止年度 RMB'000 人民幣千元		For the year ended 31 December 2016 截至二零一六年 十二月三十一日止年度 RMB'000 人民幣千元	
			% 百分比		% 百分比
Feed cost	飼料成本	2,262,827	74.7%	2,083,737	75.4%
Labor cost	勞工成本	206,420	6.8%	180,377	6.5%
Utilities	公用事業費用	70,257	2.3%	60,357	2.2%
Depreciation	折舊	239,264	7.9%	203,325	7.4%
Other costs of farms	畜牧場其他開支	252,440	8.3%	235,434	8.5%
Subtotal of cost of sales before raw milk fair value adjustments of the dairy farming business	原料奶公平值調整前的 奶牛養殖業務銷售成本 小計	3,031,208	100%	2,763,230	100%
Inter-segment cost	內部成本	(202,257)		(424,201)	
Cost of external sales before raw milk fair value adjustments of the dairy farming business	原料奶公平值調整前的 奶牛養殖業務外部銷售 成本	2,828,951		2,339,029	

Total feed cost (before eliminating cost of sales in relation to internal supply of raw milk) for the year ended 31 December 2017 increased by 8.60% to RMB2,262.8 million from RMB2,083.7 million of last year, mainly due to the increase in number of milkable cows.

Meanwhile, the cost (excluding depreciation) per ton of raw milk sold (before eliminating cost of sales in relation to internal supply of raw milk) decreased by 4.14% from RMB2,535 of last year to RMB2,430 for the year ended 31 December 2017, mainly due to an increase in annual milk yield per cow.

原料奶公平值調整前的銷售成本

本集團的原料奶公平值調整前銷售成本主要包括奶牛養殖成本及液態奶產品成本。下表載列本集團產品於所示年度的銷售成本明細：

原料奶公平值調整前的銷售成本

- 乳牛養殖業務**

截至二零一七年十二月三十一日止年度的總飼料成本(對銷內部原料奶供應相關銷售成本前)由去年的人民幣2,083.7百萬元增加至人民幣2,262.8百萬元,增幅為8.60%。主要是由於成乳牛數量的增加所致。

同時,我們售出的每噸原料奶的成本(對銷內部原料奶供應相關銷售成本前)(除折舊外),由去年的人民幣2,535元降低至截至二零一七年十二月三十一日止年度的人民幣2,430元,跌幅為4.14%,主要是由於每頭乳牛的年產奶量的上升所致。



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• Liquid milk products business

• 液態奶產品業務

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日止年度		For the year ended 31 December 2016 截至二零一六年 十二月三十一日止年度	
		RMB'000 人民幣千元	% 百分比	RMB'000 人民幣千元	% 百分比
Raw materials	原材料	481,927	79.7%	908,193	82.6%
Labor cost	勞工成本	31,632	5.2%	52,613	4.8%
Depreciation	折舊	41,307	6.8%	55,743	5.1%
Utilities	公共事業費用	17,928	3.0%	32,544	3.0%
Other processing costs	其他加工成本	31,835	5.3%	50,034	4.5%
Subtotal of cost of sales before raw milk fair value adjustments of the liquid milk products business	原料奶公平值調整前的 液態奶產品業務銷售成本 小計	604,629	100%	1,099,127	100%
Inter-segment cost	內部成本	(80,623)		(180,029)	
Cost of external sales before raw milk fair value adjustments of the liquid milk products business	原料奶公平值調整前的 液態奶產品業務外部銷售 成本	524,006		919,098	

In respect of the sales volume of liquid milk, the raw material cost for the year ended 31 December 2017 (before eliminating cost of sales in relation to internal supply of raw milk) decreased by 46.94% from RMB908.2 million of last year to RMB481.9 million, mainly because total sales volume of our liquid milk decreased by 50.38% from 150,313 tons for the year ended 31 December 2016 to 74,584 tons for the year ended 31 December 2017.

Cash cost (excluding depreciation) per ton of liquid milk sold (before eliminating cost of sales in relation to internal supply of raw milk) increased from RMB6,941 for the same period last year to RMB7,553 for the year ended 31 December 2017, representing an increase of 8.82% on a year-on-year basis.

就液態奶銷售量而言，截至二零一七年十二月三十一日止年度的原材料成本（對銷內部原料奶供應銷售成本前）由去年的人民幣908.2百萬元降至人民幣481.9百萬元，降幅為46.94%。主要是由於我們的液態奶總銷售量自截至二零一六年十二月三十一日止年度的150,313噸降低50.38%至截至二零一七年十二月三十一日止年度的74,584噸。

我們售出的每噸液態奶的現金成本（除折舊外，對銷內部原料奶供應銷售成本前），由去年同期的人民幣6,941元增至截至二零一七年十二月三十一日止年度的人民幣7,553元，同比增加8.82%。



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GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the breakdown of gross profit and gross profit margin before raw milk fair value adjustments of two operating segments for the years indicated:

毛利及毛利率

下表載列運營中的兩個業務分部於所示年度原料奶公平值調整前的毛利及毛利率明細分析：

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日止年度		For the year ended 31 December 2016 截至二零一六年 十二月三十一日止年度	
		Gross profit 毛利 RMB'000 人民幣千元	Gross Profit margin 毛利率	Gross profit 毛利 RMB'000 人民幣千元	Gross Profit margin 毛利率
Dairy farming business	乳牛養殖業務				
Before elimination	對銷前	1,368,150	31.10%	1,224,813	30.71%
After elimination	對銷後	1,290,241	31.32%	1,044,538	30.87%
Liquid milk products business	液態奶產品業務				
Before elimination	對銷前	59,980	9.02%	379,617	25.67%
After elimination	對銷後	140,603	21.16%	559,646	37.85%

- Dairy farming business**

Gross profit of our dairy farming business before raw milk fair value adjustments (before eliminating cost of sales in relation to internal supply of raw milk) increased by 11.71% from RMB1,224.8 million for the year ended 31 December 2016 to RMB1,368.2 million for the year ended 31 December 2017, mainly due to the increase in sales volume of raw milk.

Gross profit margin of our dairy farming business before raw milk fair value adjustments (before eliminating cost of sales in relation to internal supply of raw milk) increased by 0.39% from 30.71% for the year ended 31 December 2016 to 31.10% for the year ended 31 December 2017, primarily due to, due to the increase in annual milk yield per cow.

- Liquid milk products business**

Gross profit of our liquid milk products business (before eliminating cost of sales in relation to internal supply of raw milk) decreased by 84.2% from RMB379.6 million for the year ended 31 December 2016 to RMB60.0 million for the year ended 31 December 2017. The aforesaid decrease was mainly due to the decrease in sales volume and price of our branded milk.

Gross profit margin of our liquid milk products business (before eliminating cost of sales in relation to internal supply of raw milk) decreased by 16.65% from 25.67% for the year ended 31 December 2016 to 9.02% for the year ended 31 December 2017, mainly because sales model was changed to cost plus 3%.

- 乳牛養殖業務**

乳牛養殖業務的原料奶公平值調整前毛利（對銷內部原料奶供應相關銷售成本前）自截至二零一六年十二月三十一日止年度的人民幣1,224.8百萬元增加11.71%至截至二零一七年十二月三十一日止年度的人民幣1,368.2百萬元。主要是由於原料奶銷售數量增加所致。

乳牛養殖業務的原料奶公平值調整前毛利率（對銷內部原料奶供應相關銷售成本前）自截至二零一六年十二月三十一日止年度的30.71%增加0.39%至截至二零一七年十二月三十一日止年度的31.10%，主要是由於每頭乳牛的年產奶量的上升所致。

- 液態奶產品業務**

液態奶產品業務的毛利（對銷內部原料奶供應相關銷售成本前）自截至二零一六年十二月三十一日止年度的人民幣379.6百萬元降低84.2%至截至二零一七年十二月三十一日止年度的人民幣60.0百萬元。上述降低主要是由於我們品牌奶的銷售數量及售價降低所致。

液態奶產品業務的毛利率（對銷內部原料奶供應相關銷售成本前）自截至二零一六年十二月三十一日止年度的25.67%降低16.65%至截至二零一七年十二月三十一日止年度的9.02%，主要是銷售模式變為成本加成3%所致。



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

As at 31 December 2017, the biological assets of the Group were valued at RMB7,751.1 million (As at 31 December 2016: RMB7,603.0 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Losses arising from changes in the fair value of dairy cows less costs to sell dairy cows were RMB868.3 million for the year ended 31 December 2017 (For the year ended 31 December 2016: RMB1,058.9 million), representing a decrease of 18.00% year-on-year, mainly due to low death and culling rate of dairy cows and the decrease in capital inputs to heifers and calves.

Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest

Our gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest increased by 9.95% from RMB1,116.9 million for the year ended 31 December 2016 to RMB1,228.0 million for the year ended 31 December 2017, mainly due to the increase in sales volume of our raw milk.

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

Other income

For the year ended 31 December 2017, other income amounted to RMB51.8 million (2016: RMB69.9 million). Other income mainly consisted of government grants and interest income, of which interest income for the year ended 31 December 2017 amounted to RMB8.2 million (2016: RMB15.3 million), and government grants for the year ended 31 December 2017 amounted to RMB37.6 million (2016: RMB52.0 million). Government grants mainly consisted of subsidies for agricultural projects such as “Grain to Fodder”, “Environmental Protection and Safety” and “Digitalized Breeding”.

乳牛公平值變動減乳牛出售成本產生的虧損

於二零一七年十二月三十一日，本集團的生物資產獲獨立合資格專業估值師仲量聯行企業評估及諮詢有限公司評估為人民幣7,751.1百萬元（於二零一六年十二月三十一日：人民幣7,603.0百萬元）。截至二零一七年十二月三十一日止年度，乳牛公平值變動減乳牛出售成本所產生的虧損為人民幣868.3百萬元（截至二零一六年十二月三十一日止年度：人民幣1,058.9百萬元），同比降低18.00%。主要是由於乳牛死淘率降低及小乳牛及小牛的資本性投入減少所致。

於原料奶收穫時按公平值減銷售成本初始確認產生的收益

我們於原料奶收穫時按公平值減銷售成本初始確認產生的收益自截至二零一六年十二月三十一日止年度的人民幣1,116.9百萬元增加9.95%至截至二零一七年十二月三十一日止年度的人民幣1,228.0百萬元。主要是由於我們原料奶銷售數量增加所致。

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

其他收入

截至二零一七年十二月三十一日止年度，其他收入為人民幣51.8百萬元（二零一六年：人民幣69.9百萬元），其他收入主要包括政府補貼、利息收入等，其中截至二零一七年十二月三十一日止年度利息收入為人民幣8.2百萬元（二零一六年：人民幣15.3百萬元）。截至二零一七年十二月三十一日止年度政府補貼為人民幣37.6百萬元（二零一六年：人民幣52.0百萬元），政府補助金主要包括「糧改飼」、「環保安全」、「信息化養殖」等對農業項目的補貼。



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OPERATING EXPENSES

經營開支

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日 止年度 RMB'000 人民幣千元	For the year ended 31 December 2016 截至二零一六年 十二月三十一日 止年度 RMB'000 人民幣千元
Selling and distribution costs	銷售及分銷成本	372,602	786,929
Administrative expenses	行政開支	356,486	274,210
Total operating expenses	經營開支總額	729,088	1,061,139

Our operating expenses decreased from RMB1,061.1 million for the year ended 31 December 2016 to RMB729.1 million for the year ended 31 December 2017, of which:

我們的經營開支由截至二零一六年十二月三十一日止年度的人民幣1,061.1百萬元降至截至二零一七年十二月三十一日止年度的人民幣729.1百萬元。其中：

Selling and distribution costs

銷售及分銷成本

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日 止年度 RMB'000 人民幣千元	For the year ended 31 December 2016 截至二零一六年 十二月三十一日 止年度 RMB'000 人民幣千元
Farm segment	牧場分部		
Transportation costs	運輸費	149,779	114,299
Liquid milk segment	液奶分部		
Transportation, loading and unloading costs	運輸裝卸費	43,301	108,841
Staff remuneration	職工薪酬	40,044	22,340
Publicity expenses	宣傳費	92,514	507,731
Others	其他	44,644	32,317
Business tax and surcharge	營業稅金及附加	2,320	1,401
Total selling and distribution costs	銷售及分銷成本總額	372,602	786,929



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

The amount of raw milk transportation costs included in selling and distribution costs increased to RMB149.8 million for the year ended 31 December 2017 from RMB114.3 million for the corresponding period of last year, mainly attributable to an increase in the sales volume of raw milk.

The amount of liquid milk marketing and promotion expenses included in selling and distribution costs decreased significantly to RMB92.5 million for the year ended 31 December 2017 from RMB507.7 million for the corresponding period of last year, mainly because our downstream business sales model of selling liquid milk products to Mengniu Group changed to a new calculation of cost plus 3% in mid-2017 and that Mengniu Group bore the marketing and selling fees.

Administrative expenses

The Company recorded RMB356.5 million for the year ended 31 December 2017 (2016: RMB274.2 million), representing an increase of 30.01%.

Administrative expenses mainly included, remuneration of management staff (including equity-based share option expenses) and depreciation charges of office building, staff quarters and facilities, of which remuneration of management staff (excluding equity-based share option expenses) increased from RMB103.5 million for the year ended 31 December 2016 to RMB127.5 million for the year ended 31 December 2017.

During the year ended 31 December 2017, equity-based share option expenses included in administrative expenses amounted to RMB96.3 million, as compared to RMB43.1 million for the year ended 31 December 2016, representing an increase of 123.43%. It was mainly due to a one-off amortization of the remaining unamortized value of options after the staff members' acceptance of the offer made by Mengniu in respect of their options during the period.

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

計入銷售及分銷成本的原奶運輸費用由上年同期的人民幣114.3百萬元增加至截至二零一七年十二月三十一日止年度的人民幣149.8百萬元。主要是由於原料奶銷售數量增加所致。

計入銷售及分銷成本的液態奶營銷及宣傳開支由上年同期的人民幣507.7百萬元大幅降低至截至二零一七年十二月三十一日止年度的人民幣92.5百萬元。主要是二零一七年中期我們的下游業務銷售模式發生改變，液態奶產品採用成本加3%的方式賣給蒙牛集團，由蒙牛集團承擔市場宣傳等銷售費用所致。

行政開支

本公司於截至二零一七年十二月三十一日止年度錄得人民幣356.5百萬元(二零一六年：人民幣274.2百萬元)，增幅為30.01%。

行政開支主要包括管理人員薪酬(含以股權結算的購股權開支)及辦公樓、職工宿舍與設施折舊等，其中管理人員薪酬(不包括以股權結算的購股權開支)由截至二零一六年十二月三十一日止年度的人民幣103.5百萬元增至截至二零一七年十二月三十一日止年度的人民幣127.5百萬元。

截至二零一七年十二月三十一日止年度行政開支中以股權結算的購股權開支為人民幣96.3百萬元，截至二零一六年十二月三十一日止年度為人民幣43.1百萬元，增幅123.43%。主要是由於本期員工期權接受蒙牛要約後，期權剩餘未攤銷價值一次性攤銷所致。



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Other gains and losses

For the year ended 31 December 2017, losses arising from other gains and losses amounted to RMB531.1 million (2016: net gain of RMB125.6 million) mainly consisting of, impairment loss from receivables, net amount of foreign exchange losses, impairment provision for fixed assets, impairment loss on goodwill and net loss (gain) of fair value arising from financial liabilities measured at fair value through profit or loss (FVTPL). The breakdown of other gains and losses is as follows:

其他收益及虧損

截至二零一七年十二月三十一日止年度，其他收益及虧損所產生的虧損為人民幣531.1百萬元(二零一六年：收益淨額人民幣125.6百萬元)。主要包括應收賬款減值損失、外匯虧損淨額、固定資產減值準備、商譽減值損失、按公平值計入損益的金融負債所產生的公平值虧損(收益)淨額等。其他收益及虧損明細如下：

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日 止年度 RMB'000 人民幣千元	For the year ended 31 December 2016 截至二零一六年 十二月三十一日 止年度 RMB'000 人民幣千元
Other gains and losses:	其他收益及虧損：		
Fair value gain from contingent considerations	或然代價的公平值收益	-	(228,540)
Loss from settlement of Modified Considerations	結清經修訂代價的虧損	15,361	-
Loss (gains) arising on deemed disposal of an associate	視作出售一間聯營公司所產生的虧損(收益)	239	(1,462)
Net foreign exchange (gain) loss	外匯(收益)虧損淨額	(10,199)	11,424
Loss from disposal of inventories	出售存貨虧損	5,134	-
Loss from disposal of property, plant and equipment	出售物業、廠房及設備虧損	11,268	7,257
Loss arising from closure of a dairy farm:	關閉一所畜牧場所產生的虧損：		
Impairment loss of property, plant and equipment	物業、廠房及設備減值虧損	-	69,061
Write-down of inventories to net realisable value	撇減存貨至可變現淨值	-	9,701
		-	78,762
Impairment loss of trade receivables	應收貿易賬款減值虧損	495,271	1,589
Impairment loss of other receivables	其他應收款項減值虧損	110	-
Impairment loss of AFS equity investment	可供出售權益投資減值虧損	12,021	-
Impairment loss of goodwill	商譽減值虧損	-	16,955
Fair value loss (gain) on foreign currency forward	外幣遠期公平值虧損(收益)	1,949	(11,236)
Gains on derecognition of financial liabilities	取消確認金融負債收益	(57)	(303)
		531,097	(125,554)



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The Group discontinued its cooperation with other major distributors as a result of the handover of the liquid milk business to Mengniu Group during the reporting year. The Group anticipated the repayment of the trade receivable due from these distributors would be delayed and the amount of repayment of trade receivables may not be fully recovered. After taking into account of the present value of future collection and the security of 318,697,354 ordinary shares of the Company held by certain individuals who used to be the non-controlling equity holders of Modern Farming (Anhui) Dairy Product Sales Co., Ltd., an impairment loss of RMB488.5 million was recognised in respect of the Group's trade receivables due from these distributors.

Other expenses

For the year ended 31 December 2017, the other expenses amounted to RMB20.4 million (2016: RMB94.3 million), mainly consisting of, among other things, losses from sales of milk powder and expenditure of donations.

For the year ended 31 December 2017, losses from sales of milk powder amounted to RMB9.1 million (2016: RMB72.0 million), mainly because during early 2017, some of the raw milk was dehydrated into milk powder which was partly used for feeding calves, and the remaining was sold to third parties, resulting in a loss.

For the year ended 31 December 2017, expenditure of donations amounted to RMB1.7 million (2016: RMB8.5 million) mainly because we actively communicated with stakeholders around our farms and included their expectations and demands into our operation strategy. While devoting to the pursuit of our own development, we managed to win the trust, understanding and support of community residents. Besides, we proactively contributed to the local communities and devoted to public charity and volunteer activities for the benefit of the society.

於本匯報年中，因液態奶業務已交由蒙牛集團管理，本集團終止與其他主要分銷商的合作。本集團預期該等分銷商結欠的應收貿易賬款將會延遲償還，而應收貿易賬款的償還金額或不能全數收回。經計未來收回款項的現值及若干曾為現代牧業(安徽)乳品銷售有限公司之非控股權益持有人持318,697,354股本公司普通股的抵押，本集團就應收該等分銷商的應收貿易賬款確認減值虧損人民幣488.5百萬元。

其他開支

截至二零一七年十二月三十一日止年度，其他費用為人民幣20.4百萬元(二零一六年：人民幣94.3百萬元)。主要包括奶粉銷售損失，捐贈費用等。

截至二零一七年十二月三十一日止年度，奶粉銷售損失為人民幣9.1百萬元(二零一六年：人民幣72.0百萬元)，主要是二零一七年初，仍有少部分原料奶被噴製成奶粉。在用於公司飼養小牛後，其餘庫存奶粉售予第三方，導致虧損。

截至二零一七年十二月三十一日止年度，捐贈支出為人民幣1.7百萬元(二零一六年：人民幣8.5百萬元)，主要是我們積極與牧場周邊的利益相關方溝通，將利益相關方的期望與訴求融入運營決策之中，致力於在謀求自身發展的同時，贏得社區居民的信任、理解與支持，同時積極回饋當地社區，投身公益慈善和志願者活動，傾情奉獻社會。



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Finance costs

Finance costs decreased from RMB368.6 million of last reporting year to RMB328.4 million for the year ended 31 December 2017, mainly due to fair value gains on interest rate swap of RMB31.7 million arising from the interest rate of a syndicated loan of principal amount USD300 million locked for the period.

Profit attributable to owners of the Company

Taking into account of all the above factors, loss attributable to owners of the Company amounted to RMB975.1 million for the year ended 31 December 2017, compared with loss of RMB742.1 million for the corresponding period of last year.

Basic loss per Share was RMB16.19 cents (2016: RMB13.99 cents per Share).

Liquidity, Financial Resources and Gearing ratio

For the year ended 31 December 2017, the amount of net cash generated from operating activities of the Group was RMB500.9 million, compared with RMB1,137.3 million for the corresponding period of last year.

The Group's total equity as at 31 December 2017 was RMB7,088.4 million (As at 31 December 2016: RMB7,122.9 million). Its debt-to-equity ratio (total amount of bank loans, bonds and notes over total equity) was 104.75% (As at 31 December 2016: 95.56%).

As at 31 December 2017, the Group's available and unutilized bank financing facilities were approximately RMB6,306.5 million (As at 31 December 2016: RMB6,709.3 million). In the opinion of the Group's management, the working capital available to the Group was sufficient to meet its present needs.

財務開支

財務開支由去年的人民幣368.6百萬元降低至截至二零一七年十二月三十一日止年度的人民幣328.4百萬元。主要是由於本期鎖定了本金3億美元銀團貸款利率產生利率掉期公平值收益人民幣31.7百萬元所致。

本公司持有人應佔溢利

經計及上述所有因素後，截至二零一七年十二月三十一日止年度，本公司持有人應佔虧損為人民幣975.1百萬元，去年同期為虧損人民幣742.1百萬元。

每股基本損失人民幣16.19分(二零一六年：每股人民幣13.99分)。

流動資金、財務資源及負債率

截至二零一七年十二月三十一日止年度，本集團經營活動產生的現金淨額為人民幣500.9百萬元，去年同期為人民幣1,137.3百萬元。

本集團於二零一七年十二月三十一日的總權益為人民幣7,088.4百萬元(於二零一六年十二月三十一日：人民幣7,122.9百萬元)。債務權益比率(銀行貸款，債券及票據總額除以總權益)為104.75%(於二零一六年十二月三十一日：95.56%)。

於二零一七年十二月三十一日，本集團的可動用及未動用銀行融資額度約人民幣6,306.5百萬元(於二零一六年十二月三十一日：人民幣6,709.3百萬元)。本集團的管理層認為，本集團的可動用營運資金足以應付其目前需要。



Management Discussion and Analysis 管理層討論及分析

Interest-bearing borrowings

As at 31 December 2017, the total interest-bearing debt was RMB7,425.2 million.

Details are set out as below:

有息借款

於二零一七年十二月三十一日，有息負債總額為人民幣7,425.2百萬元。

詳細表列如下：

		As at	
		於	
		31 December	31 December
		2017	2016
		二零一七年	二零一六年
		十二月三十一日	十二月三十一日
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Bank borrowings	銀行借款	3,477,257	3,885,825
Short-term debentures	短期債券	-	799,425
Medium-term notes	中期票據	1,798,380	1,796,605
Corporate bonds	公司債券	1,045,761	249,020
Other borrowing	其他借款	1,103,799	75,489
		7,425,197	6,806,364
Carrying value repayable:	應償還賬面值：		
Within one year	一年以內	3,866,949	4,116,277
Between one and two years	一至二年	1,364,676	1,367,902
Between two and five years	二至五年	2,193,572	1,322,185
		7,425,197	6,806,364



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Bank borrowings

For the year ended 31 December 2017, the effective annual interest rate of bank borrowings varied from 0.9% to 6.4% (2016: from 1.9% to 6.4%).

The table below sets forth the short-term and long-term bank borrowings as at 31 December 2017:

銀行借款

截至二零一七年十二月三十一日止年度內，銀行借款的實際年利率變幅為0.9%至6.4%（二零一六年：1.9%至6.4%）。

下表列載於二零一七年十二月三十一日的短期及長期銀行借款：

		As at 於	
		31 December 2017 二零一七年 十二月三十一日 RMB'000 人民幣千元	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元
Bank borrowings	銀行借款	3,477,257	3,885,825
Unsecured borrowings	無抵押借款	2,603,229	2,000,736
Secured borrowings	有抵押借款	12,500	404,589
Guaranteed borrowings	已擔保借款	861,528	1,480,500
		3,477,257	3,885,825
Carrying amount repayable:	應償還賬面值：		
Within one year	一年以內	1,564,228	3,278,325
Between one and two years	一年至兩年	516,000	133,000
Between two and five years	兩年至五年	1,397,029	474,500
		3,477,257	3,885,825

The guaranteed borrowings were guaranteed by group entities within the Group.

已擔保借款由本集團內部集團實體提供擔保。

Short-term debentures, medium-term notes and corporate bonds

On 28 March 2017, the Group issued the first tranche of corporate bonds of an aggregate principal amount of RMB800 million, bearing fixed interest rate 5.49% per annum, which maturity of three years.

短期債券、中期票據及公司債券

於二零一七年三月二十八日，本集團發行了一批公司債券，本金額為人民幣8億元，3年期，固定年利率為5.49%。

For the movements of short-term debentures, medium-term notes and corporate bonds, please refer to Note 27, 28 and 29 to the consolidated financial statements.

有關短期債券、中期票據及公司債券的變動載於綜合財務報表附註27、28及29。



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Other borrowing

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

In May 2017, the Group entered into two entrusted loan agreements with Mengniu Group and Agricultural Bank of China ("ABC"), pursuant to which, Mengniu Group agreed to offer borrowing facilities of RMB1,500,000,000 to the Group through ABC. The borrowing facilities will mature in May 2020 and bear interest at fixed rates determined with reference to the benchmark interest rate of People's Bank of China. During the reporting year, the Group withdrew borrowings of RMB1,105,400,000 and repaid RMB40,000,000 under the agreements. The outstanding borrowings at 31 December 2017 will be due within one year and bear interest at rates ranged from 4.00% to 4.35% per annum. The breakdown of principal amount is as follows:

其他借款

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

於二零一七年五月，本集團與蒙牛集團及中國農業銀行(「農行」)訂立兩項委託貸款協議，據此，蒙牛集團同意透過農行向本集團提供借款融資人民幣1,500,000,000元。借款融資將於二零二零年五月到期並參考中國人民銀行基準利率固定計息。於本匯報年度，本集團已根據有關協議提取借款人民幣1,105,400,000元及償還人民幣40,000,000元。於二零一七年十二月三十一日未償還借款將於一年內到期並按年利率4.00%至4.35%計息。本金明細如下：

		31 December 2017 二零一七年 十二月三十一日 RMB'000 人民幣千元	31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元
Principal amount payable:	應償還本金額：		
Within one year	一年內		
– Collateralised borrowing	– 有抵押借款	38,399	38,527
– Borrowings from Mengniu Group	– 蒙牛集團借款	1,065,400	–
		1,103,799	38,527
Within a period of more than one year but not more than two years	超過一年但不超過兩年的期間		
– Collateralised borrowing	– 有抵押借款	–	36,962
		1,103,799	75,489
Less: Amounts due within one year (shown under current liabilities)	減：於一年內到期的款項 (列於流動負債項下)	1,103,799	38,527
Amounts due after one year	於一年之後到期的款項	–	36,962



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BUSINESS STRATEGIES**Improve unit production output and raw milk quality by continuous adoption of modern and scientific breeding and feeding techniques**

We keep improving our operation efficiency and average annual milk yield. At present, our average annual milk yield per milkable cow is among the highest of all dairy companies in the China. We believe that the unit production and raw milk quality of our milkable cows will continue to rise as we improve the genetic mix of our herd across generations and increase the ratio of milkable cows to total herd size. In addition, we commit to research and development to reduce the heat damage to room-temperature milk and further reduce the content of furosine in milk, subject to eligibility of various indicators such as microorganisms in the products.

Continue to enhance feed nutrients and optimize the feed mix by persistent research on feed composition

We will continue to collaborate with local farmers and agricultural research institutions in pursuing research and planting high quality feed suitable for our milkable cows. Moreover, according to the locations of our farms, we will collaborate with local farmers of particular regions to jointly build a customized and efficient feed supply chain with the objective to reduce transportation cost of feed and to ensure the quality, nutrition content and stable supply of feed.

Measures to tackle heat stress

Heat stress of dairy cow becomes a seasonal problem due to high temperature in summer. The yield of each milkable cow is generally slightly lowered by the heat stress. To alleviate the impact of heat stress, the Group has launched alleviation measures to tackle heat stress by deploying resources on modification of cowshed and equipping cowshed with efficient ventilation system, such as powerful fans. The Group will keep improving and constantly review the effectiveness of heat stress alleviation measures.

GROUP STRUCTURE

Save for disclosed in this report, during the year under review, there was no material change in the structure of the Group.

業務策略

繼續採取現代科學的繁育和飼養技術提高奶牛單產和原料奶品質

我們不斷改善經營成效，提高乳牛平均年產量。目前，我們每頭奶牛平均年產奶量在中國屬較高水準。我們相信，通過改良一代接一代的奶牛基因組合、進一步提升成母牛在全牛群的比例，我們的奶牛單產和原料奶品質還將持續提升。此外，在確保產品的微生物等各項指標合格的前提下，我們研發降低常溫奶的熱傷害程度，使牛奶中糠氨酸含量指標進一步降低。

繼續進行飼料配方研究、持續改善奶牛的飼料營養及優化飼料組合

我們會繼續與當地農戶和農業研究機構合作研究，及種植適合我們奶牛的優質飼料。此外，根據我們的牧場位置，我們將與特定地區的當地農戶合作度身建立高效的飼料供應鏈，旨在降低飼料運輸成本及保證飼料品質、營養成份和穩定的供應。

解決熱應激的措施

由於夏季高溫，熱應激對乳牛的影響已成為一個季節性問題。每頭成乳牛的產量一般會受熱應激影響略有下降。為緩解熱應激帶來的影響，本集團將進行緩解計劃，投入資源調改牛舍，引進高效通風系統設備，如強力的風扇，以緩解熱應激。本集團將不斷改進並檢討熱應激緩解措施的成效。

本集團架構

除本報告披露者外，於回顧年度，本集團架構並無發生任何重大變動。



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CAPITAL STRUCTURE

On 25 January 2017, pursuant to the sale and purchase agreement dated 16 June 2016 in relation to the acquisition of Modern Farming (Anhui) Dairy Product Sales Co., Ltd (“Modern Farming (Anhui)”) and poll results of the general meeting held by the Company on 1 August 2016, the Group allotted and issued 338,602,205 ordinary shares of the Company to the wholly-owned entities of the seller.

On 6 February 2017, pursuant to the supplemental deed dated 12 December 2016 entered into by the Company and Success Dairy II Limited (the “Investor”), pursuant to the share purchase agreement dated 6 July 2015 in relation to the acquisition of 82% of the issued share capital of the issued share capital in Asia Dairy Holdings and Asia Dairy Holdings II and a conditional investor option notice received on 28 December 2016 from the Investor, the Group allotted and issued 488,036,618 ordinary shares as consideration shares accordingly.

As at 31 December 2017, the number of issued ordinary shares of the Company were 6,131,406,706 Shares.

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

On 25 January 2017, the Group completed the acquisition of the remaining 45% equity interest in Modern Farming (Anhui) from five independent individuals, and Modern Farming (Anhui) is owned as to 45% by the Company and 55% by Modern Farming. The acquisition was approved by the Shareholders of the Company on 1 August 2016.

ACQUISITION BY MENGNIU

On 4 January 2017, Mengniu announced the acquisition of 965,465,750 additional Shares, representing approximately 15.75% of the total issued share capital of the Company upon completion of the relevant share purchase agreement, for a consideration of approximately HK\$1.9 billion. When the transaction was completed, Mengniu beneficially held approximately 37.7% of the total issued share capital of the Company, which then triggered a conditional mandatory cash offer (the “Offer”) to acquire all the issued Shares in the Company. Mengniu acquired the entire issued Shares in the Company at HK\$1.94 per Share on 14 February 2017 (except the Shares already owned or agreed to be acquired by Mengniu) and canceled all outstanding share options of the Company. Upon completion of the Offer on 21 March 2017, Mengniu held a total of 3,755,769,412 shares of the Company, equivalent to approximately 61.25% of the then issued share capital of the Company.

As at 31 December 2017, Mengniu holds a total of 3,725,769,412 Shares, equivalent to approximately 60.76% of the issued share capital of the Company.

資本架構

於二零一七年一月二十五日，本公司根據日期二零一六年六月十六日有關收購現代牧業(安徽)乳品銷售有限公司(「現代牧業(安徽)」)的買賣協議及公司於二零一六年八月一日的股東會投票結果，本集團配發及發行了本公司338,602,205股普通股股份給賣方全資持有的公司。

於二零一七年二月六日，根據本公司與Success Dairy II Limited(「投資者」)日期為二零一六年十二月十二日的補充契據。根據日期為二零一五年七月六日有關收購Asia Dairy Holdings及Asia Dairy Holdings II已發行股本之已發行股本82%之股份購買協議及於二零一六年十二月二十八日收到由投資者發出的有條件投資者期權通知，本集團因而配發及發行488,036,618股普通股代價股份。

於二零一七年十二月三十一日，本公司的已發行普通股數目為6,131,406,706股。

收購現代牧業(安徽)45%股權

於二零一七年一月二十五日，本集團完成與五名獨立人士收購現代牧業(安徽)餘下45%股權，而現代牧業(安徽)由本公司擁有45%及由現代牧業(集團)擁有55%。有關收購於二零一六年八月一日經公司股東批准。

蒙牛增持

二零一七年一月四日，蒙牛宣佈以約19億港元增持本公司965,465,750股股份，相當於有關購股協議完成時本公司的已發行股本總額約15.75%。交易完成後，蒙牛實益持有本公司已發行股本總額約37.7%，觸發有條件強制性現金要約(「要約」)收購本公司全部已發行之股份。二零一七年二月十四日，蒙牛以每股1.94港元收購本公司全部已發行股份(蒙牛已擁有或同意收購的股份除外)及註銷本公司所有尚未行使的購股權。於二零一七年三月二十一日要約完成後，蒙牛持有共計3,755,769,412股本公司股份，相當於當時本公司已發行股本約61.25%。

於二零一七年十二月三十一日，蒙牛合共持有本公司3,725,769,412股(相當於本公司已發行股本約60.76%)。



Management Discussion and Analysis 管理層討論及分析

JOINT VENTURE WITH MENGNIU

On 22 January 2018, Modern Farming and Inner Mongolia Mengniu entered into two share transfer agreements, pursuant to which Modern Farming agreed to sell, and Inner Mongolia Mengniu agreed to acquire 50% equity of Feidong and Bengbu at an aggregate cash consideration of RMB56.04 million (the "Disposal") and an unaudited gain of approximately RMB7,126 is expected to be recorded. The Disposal was approved by the shareholders of the Company at the extraordinary general meeting held on 2 March 2018. The Company believe that the Disposal did provide a good opportunity for the Group to focus on the operation of dairy farms and supply of raw milk in the China.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2017, buildings and equipment and biological assets with carrying value of RMB93.9 million (as at 31 December 2016: RMB241.5 million) and RMB1,154.2 million (as at 31 December 2016: RMB2,729.9 million) were pledged as security for the Group's borrowings.

The Group did not have any significant contingent liabilities as at 31 December 2017 and 2016.

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 31 December 2017, the Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB41.9 million (as at 31 December 2016: RMB134.3 million).

As at 31 December 2017, the Group has operating lease commitments in relation to the operating leased property, plant and equipment and leased land of RMB11.9 million (as at 31 December 2016: RMB20.7 million).

FINANCIAL MANAGEMENT POLICIES

The Group continued to closely manage financial risks to safeguard the interest of the shareholders of the Company. The Group applied its cash flows generated from operations and bank loans to satisfy its operational and investment needs.

The Group's management considered that the Group had limited foreign currency exposure in respect of its operations since our business was mainly conducted in the China. Sales and purchases were mainly denominated in Renminbi and the foreign currency risk associated with concentrated feed and livestock farming facilities was not material. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary. During the year, a interest rate swap had been made by the Group to mitigate the foreign currency risk of the Group's bank loan denominated in US\$.

與蒙牛組成合營企業

於二零一八年一月二十二日，現代牧業(集團)與內蒙古蒙牛訂立兩份股權轉讓協議，據此，現代牧業同意出售及內蒙古蒙牛同意收購肥東及蚌埠的50%權益，現金代價合共為人民幣56.04百萬元(「出售事項」)，並預期錄得未經審核收益約人民幣7,126元。出售事項經本公司股東於二零一八年三月二日舉行的股東特別大會上批准。本公司相信，出售事項給予本集團專注營運中國牧場及供應原奶的良機。

或然負債及資產抵押

於二零一七年十二月三十一日，樓宇及設備及生物資產的賬面值分別為人民幣93.9百萬元(於二零一六年十二月三十一日：人民幣241.5百萬元)及人民幣1,154.2百萬元(於二零一六年十二月三十一日：人民幣2,729.9百萬元)已抵押作本集團借款的擔保。

於二零一七年及二零一六年十二月三十一日，本集團並無任何重大或然負債。

資本承擔及經營租賃承擔

於二零一七年十二月三十一日，本集團有關收購物業、廠房及設備的資本承擔為人民幣41.9百萬元(於二零一六年十二月三十一日：人民幣134.3百萬元)。

於二零一七年十二月三十一日，本集團有關經營租用物業、廠房、設備以及租賃土地的經營租賃承擔為人民幣11.9百萬元(於二零一六年十二月三十一日：人民幣20.7百萬元)。

財務管理政策

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

本集團的管理層認為，本集團面對與其營運有關的外匯風險有限，因為我們的業務主要於中國經營。買賣主要以人民幣計值，而與精飼料及畜牧設施有關的外匯風險並不重大。本集團通過定期審查外匯風險淨額，並或會訂立貨幣遠期合約(如需要)，以管理其外匯風險。年內，本集團已訂立貨幣利率互換以減輕本集團以美元計值的銀行貸款的外幣風險。



Management Discussion and Analysis 管理層討論及分析

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 31 December 2017, the Group had approximately 5,097 employees (as at 31 December 2016: 6,051) in mainland China and Hong Kong. Total staff costs for the year ended 31 December 2017 (including staff compensation capitalized to biological assets) were approximately RMB478.8 million (for the year ended 31 December 2016: RMB449.4 million).

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

PROSPECTS

The quality of China's dairy products has been upgraded up to international standard, coupled with the increasing per capita income of consumers and the enhanced demand for food quality, it is expected that much room for development will be available in China's high-end dairy market. In addition, the "National Development Play for Dairy Industry (2016-2020)" issued by the central government of China affirms the strategic positioning of the development of the dairy industry and highlights that the dairy industry is indispensable for a healthy China and a strong nation. The play aims to achieve substantial results in the supply-side structural reform of the dairy industry by 2020.

Dairy industry in China is constantly improving, the industrial transformation, consumption and production upgrade have speeded up. The oversupply of raw milk had been almost shaken off worldwide while the supply-demand approached equilibrium with the scale down of global dairy herd size as result of low milk price in the past three years. It provides a solid base for a healthy recovery of dairy industry.

Stepping into 2018, with the supply and demand of raw milk reaching equilibrium, the prices of raw milk is expected to pick up at a modest pace, and the Group's profit margin can be improved. In the future, the Group will continue to adhere to the principle of providing high quality raw milk and maintain its competitive advantages in each category index, so as to strengthen its leading position in the industry.

人力資源及僱員薪酬

於二零一七年十二月三十一日，本集團於中國內地及香港擁有約5,097名僱員（於二零一六年十二月三十一日：6,051名）。截至二零一七年十二月三十一日止年度總員工成本（含資本化至生物資產的職工薪酬）約為人民幣478.8百萬元（截至二零一六年十二月三十一日止年度：人民幣449.4百萬元）。

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

展望

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

中國的奶業營運不斷提升，行業轉型及消費及生產端升級明顯加快。全球已經基本擺脫原料奶供給過剩的宏觀局面，過去三年的低奶價導致全球奶牛存欄的下降，供需平衡基本已近穩定，為奶業健康恢復提供了良好基礎。

踏進二零一八年，原奶供需關係漸趨平衡，原奶價格溫和回升，集團有望可提升盈利能力。未來，集團將繼續堅守高品質原奶原則，於各項指標保持高質原奶的優勢，以鞏固在行業的領導地位。



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

董事及高級管理層履歷

EXECUTIVE DIRECTORS

Ms. GAO Lina, aged 61, is an executive Director, Chief Executive Officer and Deputy Chairman of the Company. Ms. Gao is one of the founders of the Group and is currently also a director of Modern Farming. 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 between October 1993 and June 2005. Ms. Gao was the director general of Taian Municipal Taian Promotion Bureau between October 2003 and June 2005. Ms. Gao developed her experience in managing dairy farms since joining the Group and was appointed as an executive Director of the Company on 14 November 2008.

Ms. Gao was awarded “Taian 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)” by the Ministry of Education of the China in January 2013, and Ms. Gao was granted the honour of Top 10 Business Leaders in China Economy at the 2014 China Economic Summit Forum & The 12th Annual Meeting of China Economic Characters. Ms. Gao was awarded Best CEO in “Institutional Investors – Survey Report on All Asian Management Team 2016” and “2017 China Finance Grand Prix · Best Corporate Leader of the Year”.

執行董事

高麗娜女士，61歲，本公司執行董事、總裁兼副主席。高女士為本集團創辦人之一，而現時亦為現代牧業(集團)的董事。高女士於國際貿易交易、資源整合及行政管理方面擁有豐富經驗。於二零零五年八月加盟本集團前，高女士於一九九三年十月至二零零五年六月為泰安市外貿總公司的總經理。高女士於二零零三年十月至二零零五年六月為泰安市招商局的董事總經理。加入本集團後，豐富了高女士管理畜牧場方面的經驗，並於二零零八年十一月十四日獲委任為本公司執行董事。

高女士於二零零四年獲頒發「泰安市改革經營努力優秀企業家」。高女士於二零一三年一月被中國教育部授予「科學技術進步獎推廣類一等獎」，在二零一四年中國經濟高峰論壇暨第十二屆中國經濟人物年會中，高女士榮膺中國經濟十大商業領袖。高女士榮膺「機構投資者·2016年全亞洲管理團隊調查報告」中最佳CEO，及「2017中國融資大獎·年度最佳企業領袖將」。



Biographies of Directors and Senior Management 董事及高級管理層履歷

Mr. HAN Chunlin, aged 45, is an executive Director and the Chief Operation Officer of the Company. Mr. Han is also a director of Modern Farming and Helingeer Modern Farming Co., Ltd. Mr. Han has more than 15 years of experience in food and beverage industry in the 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, Mr. Han served at the liquid milk department of Inner Mongolia Mengniu 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 China in July 1994.

NON-EXECUTIVE DIRECTORS

Mr. LU Minfang, aged 49, was appointed as a non-executive Director and chairman of the board of Directors of the Company in March 2017. Mr. Lu is currently the executive director and chief executive officer of Mengniu and is a member of the strategy and development committee of Mengniu. Mengniu is the controlling shareholder of the Company. Mr. Lu is also the chairman and a non-executive director of Yashili International Holdings Ltd (stock code: 1230.HK) ("Yashili"), a subsidiary of Mengniu. He was the executive director and chief executive officer of Yashili before his appointment as chairman of the board of directors of Yashili. Mr. Lu has been the vice president (Greater China) of Danone Early Life Nutrition Greater China and has been with the Danone Group and Dumex Baby Food Co. Ltd. for over 10 years. During his tenure at the Danone Group, Mr. Lu demonstrated strong strategic business and market planning capabilities. With strong leadership, management skills and in-depth knowledge of markets, Mr. Lu contributed significantly to the success of the Danone Group's baby nutrition business in China. Prior to joining the Danone Group, Mr. Lu spent nine years with Johnson & Johnson (China) Company Limited and approximately 4 years with General Electric Company (China). Mr. Lu has over 18 years of experience in sales and marketing and has been serving in general manager or executive level roles for over seven years. Mr. Lu has extensive experience in the management of fast moving consumer products and dairy companies and has an excellent grasp and the in-depth knowledge of the China market. Mr. Lu obtained his bachelor's degree from Fudan University in Shanghai.

韓春林先生，45歲，本公司執行董事兼營運總經理。韓先生亦為現代牧業(集團)及和林格爾現代牧業有限公司的董事。韓先生於中國飲食業積逾15年經驗。於二零零八年九月加盟本集團及於二零零八年十一月十四日獲委任為本公司執行董事前，韓先生於二零零六年二月至二零零八年七月期間在蠟筆小新(福建)食品有限公司出任營銷副總經理。於一九九九年一月至二零零四年九月，韓先生於內蒙古蒙牛的液態奶部門出任營銷經理。在此之前，韓先生於一九九四年七月至一九九九年一月在內蒙古伊利實業集團股份有限公司的奶粉部門出任分廠經理。韓先生於一九九四年七月獲中國內蒙古大學頒發生物學士學位。

非執行董事

盧敏放先生，49歲，於二零一七年三月獲委任為本公司的非執行董事及董事會主席，盧先生為蒙牛執行董事兼總裁，為蒙牛戰略及發展委員會成員。蒙牛為本公司控股股東。盧先生亦為蒙牛附屬公司雅士利國際控股有限公司(股票代碼：1230.HK)(「雅士利」)的主席及非執行董事。其於獲委任為雅士利董事會主席之前為雅士利的執行董事及總裁。盧先生曾擔任達能早期生命營養品公司大中華區副總裁一職，已服務達能集團及多美滋嬰兒食品有限公司超過10年。在其任職達能集團期間，盧先生展現出非凡的戰略業務及市場規劃能力。盧先生憑藉其卓越的領導能力及管理技巧，以及對市場的深入瞭解，幫助達能集團在中國的嬰幼兒營養品業務取得了巨大的成功。加入達能集團前，盧先生曾在強生(中國)有限公司任職9年及在美國通用電氣(中國)服務約4年。盧先生在銷售與營銷領域擁有逾18年的經驗，亦擔任總經理或高層管理人員職務超過7年。盧先生具有豐富的快消品及乳業公司管理經驗，對中國市場有充分理解及豐富知識。盧先生於上海復旦大學獲得學士學位。



Biographies of Directors and Senior Management 董事及高級管理層履歷

Mr. WOLHARDT Julian Juul, aged 44, is a non-executive Director of the Company. Mr. Wolhardt joined the 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 the Group. Mr. Wolhardt was the Chairman of the Company from 17 September 2012 to 28 June 2013. Mr. Wolhardt is currently the chief executive officer of DCP Advisors Limited since January 2017. Mr. Wolhardt was a partner of KKR Asia Limited up to January 2017. Mr. Wolhardt 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. Mr. Wolhardt is also an independent non-executive director of Mengniu and a non-executive director of COFCO Meat Holdings Limited (Stock code: 1610). Mr. Wolhardt was an independent non-executive director of China Cord Blood Corporation, a company listed on New York Stock Exchange (Stock code: CO) from April 2012 to May 2015. Mr. Wolhardt is a certified public accountant and certified management accountant. Mr. Wolhardt received a bachelor degree in accounting from the University of Illinois (Urbana-Champaign) in 1995.

WOLHARDT Julian Juul先生，44歲，為本公司的非執行董事。Wolhardt先生於二零零八年七月加盟本集團及於二零零八年七月三十日獲委任為本公司非執行董事，一直從事本集團的公司發展及策略規劃。Wolhardt先生於二零一二年九月十七日至二零一三年六月二十八日曾為本公司主席。Wolhardt先生自二零一七年一月出任德弘資本集團總裁。直至二零一七年一月Wolhardt先生為KKR Asia Limited的合夥人。Wolhardt先生於二零零六年加盟KKR Asia Limited以來，一直活躍於就投資至國巨公司(一間在台灣證券交易所上市的公司(股份代號：2327)、天瑞集團水泥有限公司及遠東國際租賃有限公司提供意見。Wolhardt先生亦為蒙牛的獨立非執行董事及中糧中國肉食控股有限公司(股份代號：1610)的非執行董事。由二零一二年四月至二零一五年五月間，Wolhardt先生為中國濟帶血庫企業集團的獨立非執行董事，中國濟帶血庫企業集團是一間於紐約證券交易所上市的公司(股份代號：CO)。Wolhardt先生為執業註冊會計師及美國註冊管理會計師。Wolhardt先生於一九九五年獲美國伊利諾大學Urbana-Champaign分校頒發會計學學士學位。



Biographies of Directors and Senior Management 董事及高級管理層履歷

Mr. ZHANG Ping, aged 53, joined the Group as a non-executive Director of the Company in March 2016. Mr. Zhang is the chief financial officer of Mengniu. Mr. Zhang holds several directorships in certain subsidiaries of Mengniu including the director of Inner Mongolia Mengniu, Inner Mongolia Mengniu Danone Dairy Co., Ltd., Shijiazhuang Junlebao Dairy Co., Ltd. and Aspen Ventures Co., Ltd. Mr. Zhang also takes the position of non-executive director in Yashili since 27 April 2015. Mr. Zhang postgraduated from Beijing Information Science and Technology University with master degree in management engineering, and has over 24 years of experience in the industry of fast-moving consumer goods, specializing in the management of operation, finance and audit as well as risk control. He successively worked as manager of internal audit and system development, finance director in Swire Beverages Co., Ltd, general manager of its bottler manufacturing company and chief executive officer in Coca-Cola Bottler Manufacturing Holdings Limited.

Mr. WEN Yongping, aged 43, was appointed as a non-executive Director of the Company in March 2017. Mr. Wen is the vice president of Mengniu and the general manager of the milk sources business department of Mengniu. Mr. Wen graduated from Inner Mongolia Agricultural University and obtained a Master Degree of Food Engineering. Mr. Wen once served as the general manager of production direction centre, operations assistant vice president, milk sources vice president in Mengniu Group, and he is experienced in production operational management and milk sources management.

張平先生，53歲，於二零一六年三月加入本集團出任本公司的非執行董事。張先生為蒙牛首席財務官，目前於蒙牛若干附屬公司出任多個董事職位，包括內蒙古蒙牛蒙牛董事、內蒙古蒙牛達能乳製品有限公司董事、石家莊君樂寶乳業有限公司董事及植朴磨坊(中國)有限公司董事。張先生自二零一五年四月二十七日起獲委任為雅士利非執行董事。張先生畢業於北京信息科技大學，獲得管理工程學碩士學歷，於快速消費品行業累積超過24年經驗，專責營運、財務及審計之管理以及風險監控。張先生曾就職於太古飲料有限公司，歷任內審及系統發展經理、財務總監、裝瓶廠總經理，及可口可樂裝瓶商生產控股有限公司首席執行官。

溫永平先生，43歲，於二零一七年三月獲委任為本公司的非執行董事，溫先生現為蒙牛副總裁兼蒙牛奶源事業部總經理。溫先生畢業於內蒙古農業大學，獲得食品工程碩士學位。溫先生歷任蒙牛生產指揮中心總經理、營運助理副總裁、奶源管理副總裁等職務，在生產運營管理及奶源管理領域擁有豐富的經驗。



Biographies of Directors and Senior Management 董事及高級管理層履歷

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Kong Wai Conway, aged 63, 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), GCL 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 of Hong Kong Limited (the "Hong Kong Stock Exchange"), Guotai Junan Securities Limited Co., Ltd (stock code: 2611), a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Mr. Lee was a non-executive director and the deputy chairman of Merry Garden Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1237) until 30 September 2015. Mr. Lee was the independent non-executive director of CITIC Securities Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6030) and Shanghai Stock Exchange (stock code: 600030) until May 2016. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, The Chartered Accountants, 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. Mr. Lee was a member of Chinese People's Political Consultative Conference of Hunan Province from 2008 to 31 December 2017.

獨立非執行董事

李港衛先生，63歲，為本公司的獨立非執行董事。李先生於一九八零年七月畢業於倫敦金士頓大學(前稱為金士頓技術學院)，持有商科學士學位，並於一九八八年二月進一步獲頒發澳洲科廷科技大學的商科學士後文憑。李先生於執業會計及審核、公司財務、合併及收購以及首次公開發售方面積逾30年經驗。於一九八零年九月至二零零九年九月，李先生曾任安永合夥人，並於其會計師行在中國的發展擔任重要的領導職位。李先生現時為中國西部水泥有限公司(股份代號：2233)、超威動力控股有限公司(股份代號：951)、國美電器控股有限公司(股份代號：493)、西藏5100水資源控股有限公司(股份代號：1115)、雷士照明控股有限公司(股份代號：2222)、雅士利國際控股有限公司(股份代號：1230)、協鑫新能源控股有限公司(股份代號：451)、萬洲國際有限公司(股份代號：288)、中國潤東汽車集團有限公司(股份代號：1365)(上述均為在香港聯合交易所有限公司(「香港聯交所」)主板上市的公司)、國泰君安證券股份有限公司(股份代號：2611)(在香港聯交所及上海交易所上市)的獨立非執行董事。直至二零一五年九月三十日，李先生為香港聯交所上市公司美麗家園控股有限公司(股份代號：1237)的非執行董事兼副主席。直至二零一六年五月李先生為中信證券股份有限公司(一間在香港聯交所(股份代號：6030)及在上海證券交易所(股份代號：600030)上市的公司)的獨立非執行董事。李先生為特許會計師協會－英格蘭及威爾斯會員、澳大利亞及新西蘭特許會計師公會會員、英國特許會計師公會會員、香港會計師公會會員及澳門註冊會計師公會會員。從二零零八年至二零一七年十二月三十一日止，李先生為中國人民政治協商會議湖南省委員。



Biographies of Directors and Senior Management 董事及高級管理層履歷

Mr. Li Shengli, aged 52, is an independent non-executive Director of the Company. Mr. Li graduated from Shihezi Agricultural College with a bachelor 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 Sino-US Dairy Research Center of China Agricultural University, director of the Sino-Dutch Dairy Development Center, chief scientist in national dairy products industry technology system, a specialist to the China School Milk Programme and a specialist in the Cattle and Poultry Research Centre of Beijing Sanyuan Breeding Technology Co., Ltd. Mr. Li is a specialist to the Working Committee of National Dairy Herd Improvement Programme (DHI) of the Dairy Association of China and the chairman of China Institute of Animal Husbandry and Veterinary Cattle Chapter. 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 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” in 2009 and received the first prize for advancement in science and technology awarded by the Education Department in 2012 and the first prize for Chinese Agricultural Science awarded by the Ministry of Agriculture in 2013 and the second prize of National Scientific and Technological Progress Award in 2014.

Mr. KANG Yan, aged 42, 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 Fangda Partners. Mr. Kang joined Beijing Commerce & Finance Law Offices in 2002 and was promoted as a partner in 2008. Mr. Kang has over 10 years of experience in legal corporate advisory on mergers and acquisitions and initial public offerings.

李勝利先生，52歲，為本公司的獨立非執行董事。李先生於一九八七年七月在石河子農學院畢業，持有畜牧獸醫科學的學士學位。彼繼而於一九九六年七月獲頒發中國農業大學的動物營養學博士學位。自二零零三年以來，李先生一直在中國農業大學多次擔任副教授及教授。李先生現為國家重點實驗室（動物營養學）副主任、中國農業大學中美乳品研究中心主任、中荷奶業發展中心主任、國家奶牛產業技術體系首席科學家、國家學生飲用奶計劃專家及北京三元種業科技股份有限公司畜牧研究院專家。李先生為中國奶業協會全國奶牛生產性能測定工作委員會專家及中國畜牧獸醫學會養牛分會理事長。於二零零七年，李先生獲得乳倍利專利，而乳倍利為餵飼乳牛所用的一種高能量及高蛋白質補充劑。李先生於二零零零年及二零零七年分別獲頒發北京市科學技術獎的二等獎及獎項，於二零零九年獲北京市政府評選為「對北京農村經濟發展作出貢獻的「十佳」科學家」，並於二零一二年獲得教育部科技進步一等獎，二零一三年獲得農業部中華農業科技獎一等獎及二零一四年獲得國家科技進步二等獎。

康龔先生，42歲，為本公司的獨立非執行董事。康先生於一九九八年於中國人民大學畢業。康先生為合資格中國執業律師，現為方達律師事務所的合夥人。康先生於二零零二年加入北京通商律師事務所及於二零零八年晉升為合夥人。康先生在併購及首次公開招股的企業法律顧問領域服務積逾10年經驗。



Biographies of Directors and Senior Management 董事及高級管理層履歷

SENIOR MANAGEMENT

Mr. CHEN Hongbo, aged 40, is the deputy president of the Group. Mr. Chen joined the Group in September 2008 and has been responsible for equipment operation since then. Prior to joining the Group, Mr. Chen was with Mengniu from May 2002 to September 2008 during which period Mr. Chen was in charge of operation several factories of Inner Mongolia Mengniu and worked as the manager of the Mengniu (Wuhan) Frealth Dairy Co., Ltd. Mr. Chen worked for Inner Mongolia Yili Industrial Group Co., Ltd. as an equipment supervisor from July 1996 to May 2002. Mr. Chen obtained a master degree in light industry technology and engineering from Hubei University of Technology in September 2010.

Mr. DONG Xianli, aged 53, Mr. Dong joined the Group as chief financial officer of the Group in December 2016. Mr. Dong has extensive experience in financial management with accountant and valuation qualifications in the People's Republic of China. Mr. Dong graduated from Beijing Forestry University with a bachelor degree in soil and water conservation in July 1985 and from Inner Mongolia University of Technology with a master degree in project management in January 2010. Prior to joining the Company, Mr. Dong was the assistant vice president of Mengniu. During his tenure of service with Mengniu Group for more than 12 years, Mr. Dong has developed strong expertise in financial management in milk industry and was primarily responsible for risk management, internal audit and project investment of Mengniu Group, including holding various senior managerial positions and directorships in certain subsidiaries of Mengniu.

Mr. HAI Tao, aged 48, 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. from August 2001 to September 2008. Mr. Hai was the customer representative for the Beijing region of Shanghai Sangon Biological Engineering Technology & Services Company 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.

高級管理層

陳紅波先生，40歲，為本集團的副總裁。陳先生於二零零八年九月加入本集團並自此一直負責設備運作工作。加入本集團前，陳先生在二零零二年五月至二零零八年九月期間任職於蒙牛，負責內蒙古蒙牛數個廠房營運工作，並出任蒙牛（武漢）友芝友乳業有限公司的經理。陳先生在一九九六年七月至二零零二年五月期間擔任內蒙古伊利實業集團股份有限公司設備監督。陳先生於二零一零年九月獲湖北工業大學頒發的輕工業技術及工程碩士學位。

董先理先生，53歲，董先生於二零一六年十二月加入本集團出任為本集團首席財務官，董先生為中華人民共和國註冊會計師及註冊評估師，在財務管理方面擁有豐富經驗。董先生於一九八五年七月獲得北京林業大學水土保持專業學士學位，並於二零一零年一月獲得內蒙古工業大學項目管理專業碩士學位。於加入本公司前，董先生擔任蒙牛助理副總裁。董先生在蒙牛集團任職超過12年期間，在奶類行業財務管理方面積累豐富的專業知識，主要負責蒙牛集團的風險管控、內部審計及項目管理，包括在蒙牛若干附屬公司擔任若干高級管理層職位及董事職務。

海濤先生，48歲，為本集團的總裁助理。海先生於二零零八年十月加入本集團並自此一直負責牧場規劃管理。於加入本集團前，海先生於二零零一年八月至二零零八年九月擔任深圳色彩實業有限公司的副總經理。海先生於一九九八年九月至二零零一年六月擔任上海生工生物工程技術服務公司的北京地區客戶代表。海先生亦於一九九四年八月至一九九八年五月於大興安嶺中心衛生防疫站任職流行病科科員。海先生於一九九四年七月畢業於內蒙古大學的生物學專業。



Biographies of Directors and Senior Management 董事及高級管理層履歷

Mr. WANG Chun Jiang, aged 35, 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.

Mr. ZHAO Zunyang, aged 39, is the assistant to chief executive officer of the Group and head of the nutrition center. Mr. Zhao joined the Group in April 2010 and was responsible for the production management for two years in the Group's ranches. From April 2013, Mr. Zhao was in charge of the nutrition of the herd. Prior to joining the Group, Mr. Zhao had work experiences in the dairy industry at state-owned enterprises, foreign companies and American ranches. Mr. Zhao obtained a bachelor's degree in animal husbandry from China Agricultural University in July 2000 and a master's degree in animal nutrition from China Agricultural University in June 2003. In May 2008, he was awarded a master's degree from Virginia Polytechnic Institute University in cow nutrition professional doctorate.

Mr. YANG Wenhai, aged 44, is the assistant to chief executive officer of the Group. Mr. Yang joined the Group in July 2017 and has been responsible for procurement and party work of the Group since then. Prior to joining the Group, from July 1996 to June 2017, Mr. Yang worked at COFCO Oil of China National Cereals, Oils and Foodstuffs Corporation including, the deputy general manager of the packaging and marketing department of COFCO Oil, general manager of COFCO Cereals And Oils Industry (Chaohu) Co., Ltd., general manager and deputy general manager of the oil marketing department of the Nantong Branch of Chinese Vegetable Oil Company and the manager of the operation department of eastern China region for the soybean and oil department of the Chinese Vegetable Oil Company. Mr. Yang obtained a bachelor's degree in grain and oil storage from Zhengzhou Grain Institute in July 1996 and a master's degree in business administration from Renmin University of China in July 2002.

王春江先生，35歲，為本集團的總裁助理。王先生於二零零九年五月加入本集團並自此一直負責牛群繁育工作。於加入本集團前，王先生於二零零四年八月至二零零九年五月任職於蒙牛澳亞示範牧場有限責任公司，並於二零零八年三月起擔任場長。王先生於二零零四年七月畢業於內蒙古農業大學，並於二零一三年十二月畢業於內蒙古農業大學在職研究生課程。

趙遵陽先生，39歲，為本集團的總裁助理兼營養中心主任。趙先生於二零一零年四月加入本集團，曾在集團下屬牧場負責生產管理兩年，二零一三年四月起負責集團牛群營養工作。加入本集團前，趙先生曾在行業內的國企、外企以及美國牧場有從業經歷。趙先生於二零零零年七月獲得中國農業大學畜牧專業學士學位，二零零三年六月獲得中國農業大學動物營養專業碩士學位，二零零八年五月獲得美國佛吉尼亞理工大學奶牛營養專業博士學位。

楊文海先生，44歲，為本集團的總裁助理。楊先生於二零一七年七月加入本集團並自此一直負責集團採購、黨群工作。加入本集團前，楊先生於一九九六年七月至二零一七年六月任職於隸屬中糧集團有限公司的中糧油脂，歷任中糧油脂中包裝行銷部副總經理、中糧糧油工業(巢湖)有限公司總經理、中國植物油公司南通分公司總經理兼任油脂行銷部副總經理、中國植物油公司豆油部華東經營部經理等職務。楊先生於一九九六年七月獲得鄭州糧食學院糧油儲藏專業學士學位，並於二零零二年七月獲得中國人民大學工商管理碩士學位。



CORPORATE GOVERNANCE REPORT

企業管治報告

The board (the “Board”) of directors (the “Directors”) of China Modern Dairy Holdings Ltd. (the “Company”) and the management of the Company and its subsidiaries (collectively the “Group”) are committed to upholding a high standard of corporate governance to safeguard the interests of the shareholders of the Company (the “Shareholder(s)”) 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has, throughout the year ended 31 December 2017 and up to the date of this report, complied with the code provisions set out in the CG Code except for the deviation 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 the Shareholders. One non-executive Director and one independent non – executive Director were not able to attend the annual general meeting (“AGM”) of the Company held on 30 June 2017 (“AGM 2016”) due to other business engagements.

THE BOARD

Role of Directors

The Company is headed by the Board which assumes the responsibility for leadership and control and be collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. 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. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the “Board Committees”). Matters reserved for the Board and Board Committees 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 other significant matters.

中國現代牧業控股有限公司(「本公司」)董事(「董事」)會(「董事會」)及本公司及其附屬公司(統稱「本集團」)管理層致力於維持高標準之企業管治，以維護本公司股東(「股東」)及本公司之整體利益為目標。

企業管治常規

本公司已採納載於香港聯合交易所有限公司證券上市規則(「上市規則」)附錄14的企業管治守則及企業管治報告(「企業管治守則」)中的守則條文。截至二零一七年十二月三十一日止年度及截至本報告日期，本公司已遵守載於企業管治守則的守則條文，惟守則條文第A.6.7條的偏離除外。

企業管治守則的守則條文第A.6.7條規定，非執行董事應出席股東大會，對股東的意見有公正的了解。一名非執行董事及一名獨立非執行董事由於其他公務而無法出席本公司於二零一七年六月三十日舉行的股東週年大會(「股東週年大會」)(「二零一六年股東週年大會」)。

董事會

董事之角色

本公司以負責領導及監控的董事會為首，並共同負責指導並監督本公司事務以促使本公司成功發展。董事會向股東負責，以負責任及有效之方式管理本公司。每名董事均致力為本公司之最佳利益行事並以其專業技能及知識為本公司作出貢獻。董事會決定及實施整體策略，並代表股東監察本集團之表現。

董事會決定本集團的目標、策略及政策。此外，董事會監察及控制本集團在實踐策略性目標時的經營及財務表現。本集團的行政總裁及管理層獲授權在本公司執行董事監督下負責本集團業務的日常管理。此外，董事會亦授權本公司董事委員會(「董事委員會」)履行不同職責。保留予董事會及董事委員會的事項包括影響本集團整體策略性政策、財務目標、股息政策、會計政策的變動、重大資產收購及出售、投資及其他重大事項。



Corporate Governance Report 企業管治報告

As at 31 December 2017, the Board comprised nine Directors, including two executive Directors, namely Ms. Gao Lina, Mr. Han Chunlin, four non-executive Directors, namely, Mr. Lu Minfang, Mr. Wolhardt Julian Juul, Mr. Zhang Ping and Mr. Wen Yongping, and three independent non-executive Directors, namely, Mr. Li Shengli, Mr. Lee Kong Wai, Conway, and Mr. Kang Yan. The Chairman of the Board is Mr. Lu Minfang. Ms. Gao Lina is the deputy Chairman of the Board and the Chief Executive Officer of the Group. Mr. Han Chunlin is the Chief Operation Officer of the Group.

The biographical details of the Board members are set out in the “Biographies of Directors and Senior Management” on pages 41 to 48 of this annual report.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties of care, skill and diligence. Comprehensive directors and officers liability insurance coverage is in place to provide protection to the Company, the Directors and senior management.

Non-executive Directors

The non-executive Directors and the independent non-executive Directors give the Board the benefit of their skills, expertise, varied background and experiences. Through active participation in Board meetings and serving on various Board Committees, the non-executive Directors and the independent non-executive Directors bring in independent judgment and make valuable contributions to the effective direction and strategic decision making of the Group.

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”).

Independence of 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. The number of independent non-executive Directors of the Company is three and represents at least one-third of the Board as required under Rule 3.10(1) and 3.10A of the Listing Rules.

於二零一七年十二月三十一日，董事會由九名董事組成：兩名執行董事（高麗娜女士及韓春林先生）、四名非執行董事（盧敏放先生、Wolhardt Julian Juul先生、張平先生及溫永平先生）及三名獨立非執行董事（李勝利先生、李港衛先生及康龔先生）。董事會主席為盧敏放先生。高麗娜女士為董事會副主席兼本集團總裁。韓春林先生為本公司營運總經理。

董事會成員之履歷詳情載於本年報第41至48頁「董事及高級管理層履歷」。

全體董事均知悉彼等對股東所須承擔之共同及個人責任，彼等均以謹慎、專業及盡責之態度履行其董事職責。本公司已購買全面董事及管理人員責任保險，為本公司、董事及高級管理人員提供保障。

非執行董事

非執行董事及獨立非執行董事之技能、專業知識、不同的背景及經驗為董事會帶來裨益。透過積極參與董事會會議及為董事會轄下各委員會服務，非執行董事及獨立非執行董事均對本集團之業務方向及策略性決策帶來獨立判斷及作出寶貴貢獻。

各非執行董事有指定任期為期三年，須根據本公司組織章程細則（「組織章程細則」）輪值退任。

獨立非執行董事之獨立性

各獨立非執行董事有指定任期為期三年，須根據組織章程細則輪值退任。獨立非執行董事之一李港衛先生擁有上市規則第3.10(2)條規定之適當會計或相關財務管理專業技能。董事會已接獲各獨立非執行董事就彼等之獨立性所作之書面年度確認，並根據上市規則信納彼等之獨立性。本公司認為所有獨立非執行董事均符合上市規則第3.13條所載之獨立準則。本公司之獨立非執行董事之人數為三人和至少為董事會之三分之一，均符合上市規則第3.10(1)及第3.10A條規定。



Corporate Governance Report 企業管治報告

Corporate Governance Functions

The Board is responsible for determining the policies for corporate governance of the Company and performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) to review and monitor the training and continuous professional development of Directors and senior management;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (e) to review the existing share option scheme and share award scheme of the Company; and
- (f) to review the Company's compliance with Appendix 14 to the Listing Rules.

During the year, the Board has fulfilled the corporate governance functions by reviewing the Company's corporate governance practices.

Chairman and Chief Executive Officer

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. For the current reporting year, the Chairman of the Board is Mr. Lu Minfang (since 29 March 2017) and Mr. Yu Xubo (up to 29 March 2017), each an non-executive Director. The Chief Executive Officer of the Company is Ms. Gao Lina, an executive Director.

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 monthly basis in order to enable the Directors to assess the Group's performance, position and prospects in sufficient details.

企業管治職能

董事會負責釐定本公司之企業管治政策及履行企業管治職責，其中包括：

- (a) 制定及檢討本公司之企業管治政策及常規；
- (b) 檢討及監察本公司遵守法律及監管規定的政策及常規；
- (c) 檢討及監察董事及高級管理層的培訓及持續專業發展；
- (d) 制定、檢討及監察適用於僱員及董事的操守準則及合規手冊(如有)；
- (e) 檢討本公司現有購股權計劃及股份獎勵計劃；及
- (f) 檢討本公司是否符合上市規則第十四章。

於年內，董事會已通過檢討本公司的企業管治常規履行企業管治職能。

主席及總裁

主席負責確保董事會按良好之企業管治常規及措施正常運作。彼亦引領董事會及本公司向企業目標邁進。總裁負責有效實施董事會採納之整體策略及創新措施以及本集團之日常營運。於本報告年度，董事會主席為盧敏放先生(自二零一七年三月二十九日起)及于旭波先生(直至二零一七年三月二十九日止)，彼等各自為非執行董事。本公司總裁為執行董事高麗娜女士。

在總裁及公司秘書之支持下，主席尋求確保所有董事正確了解關於在董事會會議上提出之事宜，並每月獲得有關於董事會會議上討論之事宜及本集團其他事務之充足和可靠之資料，以使董事能詳細評估本集團的表現、狀況及前景。



Corporate Governance Report 企業管治報告

BOARD PROCEDURES

During the year ended 31 December 2017, the Board has held eleven 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. Details of the Directors' attendance at the Board and Board Committee meetings and the AGM 2016 are set out as follows:

董事會程序

截至二零一七年十二月三十一日止年度，董事會舉行十一次會議，討論整體策略以及本集團之業務及財務表現。董事可親身或透過電子通訊方式與會。董事出席董事會、董事委員會會議及二零一六年股東週年大會情況的詳情載列如下：

Name of Director 董事姓名	Number of Board meetings, Board Committee meetings and General meetings attended/held 出席/舉行董事會會議、董事委員會會議及股東大會次數							
	Annual General Meeting 股東 週年大會	Extraordinary General Meeting 股東 特別大會	Board 董事會	Audit Committee 審核委員會	Remuneration Committee 薪酬委員會	Nomination Committee 提名委員會	Strategy and Development Committee 戰略及發展 委員會	
Executive Directors 執行董事								
Ms. GAO Lina (Deputy Chairman and Chief Executive Officer) 高麗娜女士 (副主席兼總裁)	1/1	N/A	11/11	N/A	N/A	N/A	N/A	
Mr. HAN Chunlin 韓春林先生	1/1	N/A	11/11	N/A	N/A	N/A	N/A	
Non-executive Directors 非執行董事								
Mr. LU Minfang (Chairman) (appointed on 29 March 2017) 盧敏放先生(主席) (於二零一七年 三月二十九日獲委任)	1/1	N/A	7/8	N/A	N/A	N/A	N/A	
Mr. YU Xubo (resigned on 29 March 2017) 于旭波先生(於二零一七年 三月二十九日辭任)	1/1	N/A	2/2	N/A	N/A	N/A	N/A	
Mr. WOLHARDT Julian Juul WOLHARDT Julian Juul 先生	1/1	N/A	9/11	1/1	1/1	N/A	N/A	
Mr. Zhang Ping 張平先生	0/1	N/A	11/11	N/A	1/1	N/A	N/A	
Mr. WEN Yongping (appointed on 29 March 2017) 溫永平先生(於二零一七年 三月二十九日獲委任)	1/1	N/A	7/8	1/1	N/A	N/A	N/A	
Mr. HUI Chi Kin, Max (resigned on 29 March 2017) 許志堅先生(於二零一七年 三月二十九日辭任)	N/A	N/A	2/2	1/1	N/A	N/A	N/A	
Mr. SUN Yugang (resigned on 29 March 2017) 孫玉剛先生(於二零一七年 三月二十九日辭任)	N/A	N/A	2/2	N/A	N/A	N/A	N/A	
Independent Non-executive Directors 獨立非執行董事								
Mr. LI Shengli 李勝利先生	1/1	N/A	11/11	N/A	2/2	1/1	N/A	
Mr. LEE Kong Wai, Conway 李港衛先生	1/1	N/A	11/11	2/2	N/A	1/1	N/A	
Mr. KANG Yan 康龔先生	1/1	N/A	11/11	N/A	1/1	1/1	N/A	
Mr. ZOU Fei (resigned on 29 March 2017) 鄒飛先生(於二零一七年 三月二十九日辭任)	N/A	N/A	1/1	1/1	1/1	N/A	N/A	



Corporate Governance Report 企業管治報告

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 at Company's expenses. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent to all Directors before the proposed date of a meeting. Additional Board meetings, if necessary, are arranged and held as and when required. During the reporting year review, the Chairman met with the non-executive Directors and the independent non-executive Directors without the presence of other executive Directors to exchange views on matters concerning the business development, management and corporate governance of the Group.

Every Director is entitled to access the advice and services of the Company Secretary with a view to ensuring 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.

董事會及各董事可個別及獨立地向本公司高級管理層索取資料並可必要時作出查詢。本公司董事在履行其作為本公司董事之職責而認為需尋求獨立專業建議時可召開或要求公司秘書召開董事會會議，以批准支付向獨立法律或其他專業顧問徵求意見，費用由本公司承擔。就例行董事會會議而言，會議之議事日程及隨附之董事會文件將於會議預定日期前送呈所有董事。於需要時會安排及舉行附加董事會會議(如需要)。於報告年內，主席在其他執行董事未到場的情況下與非執行董事及獨立非執行董事會面，就本集團的業務發展、管理及企業管治等事宜交換意見。

各董事均有權為確保遵守董事會程序以及所有適用規則及規例而獲得公司秘書之建議及服務。所有會議記錄均由公司秘書保存，並可於提供合理之事先通知後在任何正常辦公時間內供任何董事查閱。



Corporate Governance Report 企業管治報告

Appointment, Re-election of Directors and removal

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. Each Director has entered into a letter of appointment with the Company for a term of three years. The Directors are subject to retirement by rotation and re-election at each AGM of the Company in accordance with article 17.18 of the Articles of Association. Directors appointed as an addition to the Board or to fill a casual vacancy on the Board will be subject to re-election by the Shareholders at the next following AGM or the next following general meeting of the Company respectively after the appointment. Also, when an independent non-executive Director proposed for re-election has served the Company for more than nine years, his or her re-election will be subject to a separate resolution to be approved at the AGM.

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's 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.

As at date of this report, the Board comprises nine Directors with both gender, three of which 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.

董事之委任、重選及罷免

根據企業管治守則及組織章程細則，所有董事(包括獨立非執行董事)均須每三年輪值退任一次。各董事已與本公司訂立為期三年的委任函。根據組織章程細則第17.18條，董事須於本公司各屆股東週年大會輪席退任及重選。獲委任為董事會新增成員或填補董事會臨時空缺的董事，將須於獲委任後的本公司下屆股東週年大會或下屆股東大會上由股東重選。另外，倘提名重選的獨立非執行董事在本公司任職超過九年，其重選將須於股東週年大會上通過獨立決議案後方可作實。

董事會多元化政策

董事會已採納多元化政策，其中載有董事會成員多元化之方針。本公司在設定董事會成員組合時，會從多方面考慮董事會成員多元化，包括但不限於性別、年齡、文化及教育背景、專業經驗、技能及知識。董事會所有委任均以用人唯才為原則，並以客觀準則考慮人選，充分顧及董事會多元化的裨益。

於本報告日期，董事會由九名男女董事組成，其中三名為獨立非執行董事，藉此促進管理過程的批判性檢討及監控。董事會亦以相當多元化為特色，不論性別、國籍、專業背景及技能。



CONTINUOUS PROFESSIONAL DEVELOPMENT

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. For newly appointed Director a induction package will be given to ensure that he has a proper understanding of the operations, business and governance policies of the Group.

A summary of training received by the Directors during the year ended to 31 December 2017 according to the records provided by the Directors is as follows:

持續專業發展

根據企業管治守則之守則條文第A.6.5條規定，所有董事應參加持續專業發展，發展及更新其知識及技能，以確保彼等向董事會作出知情及恰當之貢獻。本公司應負責為全體董事安排適當之培訓，費用由本公司承擔。本集團持續向董事提供上市規則及其他適用監管規定的最新發展的更新資料，以確保合規和增強董事對良好企業管治常規的意識。對於新委任董事，本集團將提供入職培訓，以確保其適當了解本集團之經營、業務及管治政策。

根據董事所提供的紀錄，董事於截至二零一七年十二月三十一日止年度所接受的培訓概述如下：

Directors	董事	Type of trainings	培訓類別
Executive Directors	執行董事		
Ms. GAO Lina	高麗娜女士		A, B
Mr. HAN Chunlin	韓春林先生		A, B
Non-executive Directors	非執行董事		
Mr. LU Minfang (<i>Chairman</i>) (appointed on 29 March 2017)	盧敏放先生(<i>主席</i>) (於二零一七年三月二十九日獲委任)		A, B, C
Mr. YU Xubo (resigned on 29 March 2017)	于旭波先生 (於二零一七年三月二十九日辭任)		A, B
Mr. WOLHARDT Julian Juul	WOLHARDT Julian Juul 先生		A, B, C
Mr. ZHANG Ping	張平先生		A, B
Mr. WEN Yongping (appointed on 29 March 2017)	溫永平先生 (於二零一七年三月二十九日獲委任)		A, B
Mr. HUI Chi Kin, Max (resigned on 29 March 2017)	許志堅先生(於二零一七年三月二十九日辭任)		A, B
Mr. SUN Yugang (resigned 29 March 2017)	孫玉剛先生 (於二零一七年三月二十九日辭任)		A, B
Independent Non-executive Directors	獨立非執行董事		
Mr. LI Shengli	李勝利先生		A, B
Mr. LEE Kong Wai, Conway	李港衛先生		A, B, C
Mr. KANG Yan	康龔先生		A, B
Mr. ZOU Fei (resigned on 29 March 2017)	鄒飛先生 (於二零一七年三月二十九日辭任)		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 or delivering seminars and/or conferences and/or forums

A: 閱覽有關業務及行業發展的讀物、刊物及最新資料

B: 閱覽有關上市規則及其他適用監管規定的讀物

C: 出席或主持研討會及/或會議及/或論壇



Corporate Governance Report 企業管治報告

BOARD COMMITTEES

In order to oversee particular aspects of the Group, the Board has established a Remuneration Committee, an Audit Committee a Nomination Committee and a Strategy and Development Committee with the defined terms of reference in line with the CG Code. The terms of reference are published on the respective websites of the Hong Kong 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 work performed are as follows:

Remuneration Committee

The chairman of the Remuneration Committee is Mr. Li Shengli and other members are Mr. Zhang Ping and Mr. Kang Yan. The Remuneration Committee is chaired by an independent non-executive Director and the majority being independent non-executive Directors of the Company. Mr. Zou Fei and Mr. Wolhardt Julian Juul ceased to be members of the Remuneration Committee on 29 March 2017.

The primary functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration for all the Directors and senior management of the Group, and make recommendations of the remuneration for all the executive Directors, non-executive Directors and the senior management packages to the Board.

The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management of the Group is based on the skills, knowledge, responsibilities and involvement in the Company's and the Group'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 independent 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 2017, the Remuneration Committee reviewed, discussed and approved the remuneration for the executive Directors and senior management of the Group, reviewed the remuneration policy and made recommendation to the Board for the remuneration for the non-executive Directors for its approval. Remuneration Committee has also reviewed the existing share award scheme and share option scheme.

董事委員會

為監督本集團在特定方面的事務，董事會已設立薪酬委員會、審核委員會、提名委員會以及戰略及發展委員會，界定職權範圍與企業管治守則相符。職權範圍於香港聯交所及本公司各自的網站公佈。董事委員會獲提供足夠資源以履行其職務，並能在適當情況下應要求尋求獨立專業意見。有關該等董事委員會之詳情(包括其組成、主要責任及職能)及所進行之工作如下：

薪酬委員會

薪酬委員會主席為李勝利先生，其他成員為張平先生及康龔先生。薪酬委員會由獨立非執行董事出任主席，其大部分成員為本公司獨立非執行董事。於二零一七年三月二十九日，鄒飛先生及 Wolhardt Julian Juul 先生不再為薪酬委員會成員。

薪酬委員會之基本職能乃就本集團所有董事及高級管理層之本公司薪酬政策及結構向董事會提供建議，就所有執行董事、非執行董事及高級管理層之薪酬向董事會提供建議。

本公司之薪酬政策旨在確保向僱員(包括本集團執行董事及高級管理層)提供之薪酬乃基於其技能、知識、職責及參與本公司及本集團事務而釐定。薪酬組合亦參照本公司之業績及盈利狀況、行業薪酬水平以及當前市場狀況而釐定。獨立非執行董事之薪酬政策(主要包括董事袍金)須參照市場標準每年進行評估。個別董事及高級管理層不會參與其各自薪酬之釐定。薪酬委員會已獲提供足夠資源履行其職責。

截至二零一七年十二月三十一日止年度，薪酬委員會審閱、討論及批准本集團執行董事及高級管理層之酬金及審閱薪酬政策，並就非執行董事之薪酬向董事會提供推薦意見以供其審批。薪酬委員會亦審閱現時的股份獎勵計劃及購股權計劃。



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The remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

高級管理層成員於截至二零一七年十二月三十一日止年度之酬金範圍如下：

Remuneration bands (RMB) 酬金範圍 (人民幣元)	Number of persons 成員人數
0–1,000,000	1
1,000,001–2,000,000	0
2,000,001–3,000,000	2
3,000,001–4,000,000	1
4,000,001–5,000,000	0
5,000,001–6,000,000	1
6,000,001–7,000,000	1

The above remuneration included equity-based payment in relation to the cancellation of outstanding options of the Company during the mandatory cash offer by Mengniu which was completed on 21 March 2017.

上述薪酬包括蒙牛於二零一七年三月二十一日完成強制現金要約時註銷本公司未行使購股權的以股權結算付款。

Further particulars regarding Directors' remuneration and the five highest paid employees 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.

根據上市規則附錄十六須就董事酬金以及五名最高薪人士披露之進一步詳情，載於財務報表附註10及11。

Audit Committee

As at 31 December 2017, the Audit Committee comprised two independent non-executive Directors, namely, Mr. Lee Kong Wai, Conway and Mr. Kang Yan and one non-executive Director, Mr. Wolhardt Julian Juul. Mr. Lee Kong Wai, Conway and Mr. Wolhardt Julian Juul possess the relevant professional qualifications required under the Listing rules. The Chairman of the Audit Committee is Mr. Lee Kong Wai, Conway. Mr. Hui Chi Kin Max and Mr. Zou Fei ceased to be members of the Audit Committee on 29 March 2017.

審核委員會

於二零一七年十二月三十一日，審核委員會由兩名獨立非執行董事李港衛先生及康龔先生以及一名非執行董事Wolhardt Julian Juul先生組成。李港衛先生及Wolhardt Julian Juul先生擁有上市規則所規定的相關專業資格。審核委員會主席為李港衛先生。於二零一七年三月二十九日，許志堅先生及鄒飛先生不再為審核委員會成員。

The primary responsibilities of the Audit Committee are to oversee the Group's financial reporting system, risk management 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.

審核委員會的主要職責為監察本集團之財務申報系統、風險管理系統及內部監控程序，並按適用標準審閱及監察外聘核數師之獨立性及客觀性以及審核程序之有效性。審核委員會已獲提供足夠資源履行其職責。



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The Audit Committee held two meetings during the year ended 31 December 2017. Major work completed by the Audit Committee during the year includes:

- reviewed the Group's annual report, interim financial information and annual financial statements;
- reviewed significant accounting and audit issues;
- reviewed the external auditor's qualifications, independence and performance;
- reviewed the external auditor's management letter and the management's response;
- reported to the Board on matters relating to the Audit Committee under the CG Code;
- assisted the Board to evaluate on the effectiveness of financial reporting procedures and internal control system;
- reviewed the adequacy and effectiveness of the Group's systems of internal control and risk management and the effectiveness of the internal audit function; and
- reviewed/continuing connected transactions entered into by the Group or subsisting during the year.

Nomination Committee

The Nomination Committee comprised two independent non-executive Directors, namely Mr. Lee Kong Wai, Conway and Mr. Kang Yan, and one non-executive Director Mr. Lu Minfang. The Chairman of Nomination Committee is Mr. Lu Minfang (since 29 March 2017) Mr. Kang Yan was the chairman of Nomination Committee up to 29 March 2017.

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.

審核委員會於截至二零一七年十二月三十一日止年度舉行兩次會議。審核委員會於年內完成的重要工作包括：

- 審閱本集團的年報、中期財務資料及年度財務報表；
- 審閱主要會計及核數事宜；
- 審閱外聘核數師的資格、獨立身份及表現；
- 審閱外聘核數師的管理函件及管理層回應；
- 根據企業管治守則向董事會報告有關審核委員會的事宜；
- 協助董事會評估財務申報流程及內部監控系統的有效性；
- 審閱本集團內部監控及風險管理系統的合適性及有效性以及內部審計職能的有效性；及
- 審閱於本年度由本集團訂立或存續之持續關連交易。

提名委員會

提名委員會由兩名獨立非執行董事李港衛先生及康龔先生以及一名非執行董事盧敏放先生組成。提名委員會主席為盧敏放先生(自二零一七年三月二十九日起)。康龔先生於二零一七年三月二十九日前為提名委員會主席。

提名委員會之主要職責為最少每年檢討董事會之架構、規模及組成(包括技巧、知識及經驗)及就任何建議變動向董事會作出推薦意見,以補足本公司之企業策略;物色適當之合資格人士成為董事會成員及進行甄選或就甄選獲提名董事擔任董事職務向董事會作出推薦意見;評估獨立非執行董事之獨立性;以及就委任或重新委任董事及董事繼任計劃(特別是主席及行政總裁)向董事會作出推薦意見。提名委員會已獲提供足夠資源履行其職責。



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During the year ended 31 December 2017, the Nomination Committee reviewed and recommended the structure, size and composition (including skills, knowledge and experience) of the Board. It reviewed the independence of the independent non-executive Directors. It also made recommendations to the Board on retiring Directors for re-election at the AGM 2016.

Strategy and Development Committee

The Company has established a Strategy and Development Committee on 11 December 2014. As at 31 December 2017, the Strategy and Development Committee comprised executive Director, Ms. Gao Lina, two non-executive Director, Mr. Wolhardt Julian Juul and Mr. Wen Yongping and one independent non-executive Directors, Mr. Li Shengli. The Strategy and Development Committee is chaired by Ms. Gao Lina. Mr. Zou Fei ceased to be a member of the Strategy and Development Committee on 29 March 2017. Mr. Li Shengli was the Chairman of the Strategy and Development Committee up to 29 March 2017.

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.

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communication among Board members, with Shareholders and management. All Directors have access to the advice and service of the Company Secretary to ensure that board procedures, all applicable rules and regulations are followed. The Company Secretary complied with the professional training requirement with Rule 3.29 of the Listing Rules during the year under review.

AUDITOR'S REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu. The Audit Committee is responsible for the appointment of external auditors and reviewing the non-audit services (including any potential conflict of interest) performed by the external auditors. 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 2017, the remuneration to the auditor of the Company were approximately RMB2.7 million (2016: RMB4.4 million) for audit services and RMB0.15 million (2016: RMB0.6 million) for non-audit services.

截至二零一七年十二月三十一日止年度，提名委員會檢討董事會之架構、規模及組成(包括技能、知識及經驗)及作出推薦意見。其亦檢討獨立非執行董事之獨立性，並就於二零一六年股東週年大會上重選的退任董事向董事會提出推薦意見。

戰略及發展委員會

本公司於二零一四年十二月十一日成立戰略及發展委員會。於二零一七年十二月三十一日，戰略及發展委員會由一名執行董事(高麗娜女士)、兩名非執行董事(Wolhardt Julian Juul先生及溫永平先生)及一名獨立非執行董事(李勝利先生)組成。高麗娜女士擔任戰略及發展委員會主席。於二零一七年三月二十九日，鄒飛先生不再為戰略及發展委員會成員。截至二零一七年三月二十九日，李勝利先生為戰略及發展委員會主席。

戰略及發展委員會的主要職責為草擬本公司長期發展策略及融資計劃的重大投資、就經營項目提出重大資本投資建議，並對影響本公司發展的重要事宜進行研究及作出建議。

公司秘書

公司秘書負責促進董事會程序以及董事會成員之間、與股東及管理層的溝通。全體董事均可獲得公司秘書的建議與服務，以確保遵守董事會程序、所有適用規則與法規。回顧年度內，公司秘書已遵守上市規則第3.29條下的專業培訓規定。

核數師酬金

本集團的外部核數師為德勤•關黃陳方會計師行。審核委員會負責委任外部核數師及審閱外部核數師提供的非審核服務(包括任何潛在利益衝突)。核數師之酬金一般根據核數師之工作範疇及數量而釐定。截至二零一七年十二月三十一日止年度，就本公司核數師提供之核數服務酬金約為人民幣2.7百萬元(二零一六年：人民幣4.4百萬元)及非審核服務酬金約人民幣0.15百萬元(二零一六年：人民幣0.6百萬元)。



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DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

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 2017, 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" on pages 121 to 129 of this annual report.

Pursuant to code provision C.1.2 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 have been provided to all members of the Board for the year under review.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for reviewing the effectiveness of the risk management and internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee. The review covers all material controls, including financial, operational and compliance controls and risk management functions. Such 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. Risk management and internal control review reports are circulated to the Audit Committee members and the Board in accordance with the approved scope.

董事與核數師關於賬目之責任

董事確認彼等有責任編製真實公允地反映本集團狀況之財務報表。同時，董事亦負責確保選擇及貫徹應用適當之會計政策；及所作之判斷及估計為審慎合理。於編製截至二零一七年十二月三十一日止年度之財務報表時，已遵守國際會計準則委員會頒佈之《國際財務報告準則》、《國際會計準則》及詮釋（統稱「國際財務報告準則」）之規定及適用法例。

董事會並不知悉與可能對本集團持續經營能力造成重大疑問之事件或狀況有關之任何重大不明朗因素。董事會已按持續經營基準編製財務報表。

本公司外聘核數師之報告責任於本年報第121至129頁「獨立核數師報告」內披露。

根據企業管治守則的守則條文第C.1.2條，本公司管理層應每月向全體成員提供最新資料，就本公司之表現、財務狀況及前景詳細提供公正及易於理解之評估，使全體董事會及各董事能根據上市規則第3.08條及第13章履行其職責。於回顧年度內，所有董事會成員均獲得每月最新資料，例如每月簡明管理層賬目及更新資料。

組織章程文件

於年內，本公司的組織章程文件並無重大變動。

風險管理及內部監控

董事會負責檢討本集團風險管理及內部監控系統之有效性。檢討範圍由審核委員會決定及推薦。該檢討涵蓋所有重要監控範圍，包括財務監控、運作監控、合規監控及風險管理功能。該檢討亦考慮本公司會計及財務報告部門之人力資源是否充裕以及是否有足夠具備所需資格及經驗之員工、員工培訓計劃及預算。根據已批准之範疇，將風險管理及內部監控檢討報告傳送予審核委員會成員及董事會。



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During the year under review, the Group has complied with Code Provision C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. The major features of the risk management and internal control systems are set out as below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitoring of the residual risks.

The Board together with senior management monitor and assess risk regularly, boost related management standards and evaluate investment projects. Based on the risk assessments conducted for the year under review, no significant risk was identified.

Internal Control System

The Company has in place an internal control system. The framework of the system enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

回顧年度內，本集團已遵守企業管治守則的守則條文第C.2條，建立適當及有效的風險管理及內部監控系統。風險管理及內部監控系統的主要特點載於下文：

風險管理系統

本集團採納的風險管理系統管理與其業務及營運相關的風險。該系統包括以下階段：

- *識別：* 識別風險歸屬、業務目標及可能影響目標實現的風險。
- *評估：* 分析風險的可能性及影響，並據此評估風險組合。
- *管理：* 考慮風險回應措施，確保與董事會有效溝通並持續監控剩餘風險。

董事會聯同高級管理層定期監控及評估風險，推進相關管理標準及評估投資項目。基於就回顧年度所作風險評估，並無發現重大風險。

內部監控系統

本公司設有內部監控系統。該系統框架使本集團能夠實現有關運營有效性及效率、財務報告可靠性以及遵守適用法律及法規的目標。該框架的組成部分列示如下：

- *監控環境：* 為於本集團進行內部監控提供基礎的一套準則、程序及架構。
- *風險評估：* 為識別及分析風險以實現本集團目標制定動態而反覆更新的程序，為釐定如何管理風險提供基礎。
- *監控活動：* 根據政策及程序確立的行動，以確保管理層減低風險以致達成目標的指示獲得履行。
- *資訊及溝通：* 為本集團提供進行日常監控所需資訊的內部及外部溝通。
- *監控：* 持續及獨立評估以確定內部監控的各組成部分是否存在及運作正常。



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With aim to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted for the year under review, no significant control deficiency was identified.

The Audit Committee is satisfied that the risk management system and 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.

Internal Audit

Internal audit is an independent function reporting to the Audit Committee and senior management of the Group. It provides an independent and objective assurance to safeguard the Group's operations. It effectuates a systematic and disciplined approach to evaluate and improve the Group's process on risk management, internal control and governance. The risk based audit plans ensure that high risk areas of the Group's operations and resources are specifically attended to Ad hoc reviews are conducted on areas of concern where necessary.

The Board, through the Audit Committee, reviews the adequacy of resources, training programmes, budget, qualifications and experience of the accounting, internal audit and financial reporting staff in accordance with the requirements of the Listing Rules. The Audit Committee and the Board review the effectiveness of the risk management and internal control systems of the Group and fulfill the requirement of the CG Code regarding risk management and internal control systems in general. During the reporting year, the internal audit department has conduct audit at different farms of the Group and reported to the senior management.

為加強本集團處理內幕消息的制度，確保公開披露資料的真實性、準確性、完整性與及時性，本集團亦採納及執行內幕消息政策及程序。本集團已不時採取若干合理措施，確保存有防止違反披露規定的保障措施，其中包括：

- 只有需要了解的有限數目的僱員可獲取消息。擁有內幕消息的僱員完全了解其保守機密的責任。
- 本集團訂立重大協商時簽訂保密協議。
- 與外界(如媒體、分析師或投資者)溝通時，執行董事為代表本公司發言的指定人士。

根據回顧年度內進行的內部監控審閱，並無發現任何重大監控缺陷。

審核委員會信納本集團所保持的風險管理系統與內部監控系統足以提供合理但非絕對的保證，即保障本集團的資產免遭未經授權使用或處置所帶來的損失、交易經正式授權以及妥善存置適當的會計記錄。

內部審核

內容審核為向審核委員會及本集團高級管理層報告的獨立職能，提供獨立及客觀核證以保障本集團的營運。其採取有序自律的方法評價及改善本集團的風險管理、內部監控及管治。審核計劃以風險作基礎，確保重點關注本集團營運及資源中的高風險領域。必要時會就關注範疇進行特別檢討。

董事會根據上市規則規定透過審核委員會檢討資源、培訓課程、預算、會計資格及經驗、內部審核及財務報告員工是否充足。審核委員會及董事會檢討本集團風險管理及內部監控系統的成效，並大致符合與風險管理及內部監控系統有關的企業管治守則規定。於報告年內，內部審核部門已就本集團不同牧場進行審核並向高級管理層報告。



Corporate Governance Report 企業管治報告

The senior management has reviewed the risk management and internal control system of the Group for the year ended 31 December 2017 and considered them to be effective and adequate.

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

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 AGM. The section under "CEO'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 the 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.

SHAREHOLDERS RIGHTS

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 Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, 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.

高級管理層已檢討本集團截至二零一七年十二月三十一日止年度的風險管理及內部監控系統，並認為其有效且充足。

本集團將繼續改進該系統以應對業務環境之變化。

與股東溝通

有效溝通

本公司透過本公司之年報及財務報表、中期報告以及股東週年大會向股東披露有關資料。年報中「總裁報告書」以及「管理層討論與分析」兩節幫助股東了解本公司之業務。股東週年大會讓董事可與股東會面及溝通。本公司之財務報表及各項規定之資料披露於法律及法規規定之限期內發出。

為管理與投資群體之關係，本集團定期與媒體及財務分析人員會面，並經常參與其他會議及發佈會。

為進一步促進有效溝通，本公司已設立公司網站，以電子方式適時發佈本公司公佈以及其他有關財務及非財務之資料。

股東權利

股東召開股東特別大會之程序

根據組織章程細則，凡持有有權於股東大會上投票之本公司已發行股本不少於十分一之任何一名或多名股東，可透過個人遞交或郵寄（收件人：董事會／公司秘書，地址為香港銅鑼灣告士打道262號中糧大廈32樓A室）或透過電郵（info@moderndairyir.com）向董事會或公司秘書遞交召開股東特別大會之書面要求。董事會須於有關要求提交日期起計21日內，正式召開股東大會，而有關大會須於其後21日內舉行。



Corporate Governance Report 企業管治報告

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 Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, 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, Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, 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 14.6 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the code of conduct regarding securities transactions by Directors adopted by the Company during the year ended 31 December 2017.

向董事會作出查詢之程序

股東可將要求董事會處理之查詢寄交於本公司主要辦事處之公司秘書，地址為香港銅鑼灣告士打道262號中糧大廈32樓A室。公司秘書將有關屬於董事會權限範圍內事宜之訊息轉交董事會。

於股東大會作出提呈之程序

本公司歡迎股東提呈有關本集團業務、策略及／或管理之建議於股東大會上討論。有關建議須透過個人遞交、郵寄或速遞按以下地址寄交董事會：香港銅鑼灣告士打道262號中糧大廈32樓A室，收件人為董事會股東通訊。

董事會可全權酌情考慮該等建議是否適當，並於下屆股東週年大會或將由董事會召開之股東特別大會(如適當)上提呈股東批准。

投票表決

根據上市規則第13.39(4)條，股東在股東週年大會上之所有表決必須按股數投票方式進行。根據組織章程細則第14.6條，股東週年大會主席將會要求以投票方式對會上提呈之每項決議案進行表決。隨同年報寄發之股東通函將載有所提呈決議案之有關詳情，包括參加膺選連任之各位董事之履歷。本公司將按上市規則第13.39(5)條規定的方式公佈投票表決結果。

董事進行之證券交易

本公司已採納一套有關董事進行之證券交易之行為守則，其條款嚴謹程度不遜於載於上市規則附錄10的上市發行人董事進行證券交易的標準守則所載之規定標準。經向所有董事作出特定查詢後，全體董事確認，彼等於截至二零一七年十二月三十一日止年度已遵守本公司就董事進行之證券交易採納之行為守則所載之規定標準。



Corporate Governance Report 企業管治報告

INVESTOR RELATIONS

The Company adopts a proactive policy in promoting investor relations and communications. When the Company announces its interim and annual results, management will normally meet with institutional investors, financial analysts and financial media, provide briefings on the business progress and recent developments of the Company. The Company has regularly participated in investor summits and conferences to enhance communication with the investment community. Investors are welcomed to send their enquiries to our investor relation at info@moderndairyir.com or browse the Company's website (<http://www.moderndairyir.com>) for latest update information of the Group.

On behalf of the Board

GAO Lina

Director

Hong Kong, 26 March 2018

投資者關係

本公司採取積極政策促進投資者關係與溝通。在本公司公佈其中期及年度業績時，管理層一般會與機構投資者、金融分析師及金融媒體會晤，提供有關本公司業務進展與近期發展的簡要介紹。本公司已定期參加投資者峰會及會議，以加強與投資社區的交流。本公司歡迎投資者致函 info@moderndairyir.com 詢問我們的投資者關係或瀏覽本公司網站(<http://www.moderndairyir.com>) 了解本集團的最新更新資料。

代表董事會

董事

高麗娜

香港，二零一八年三月二十六日



REPORT OF THE DIRECTORS

董事會報告書

The Board presents its report together with the audited financial statements of China Modern Dairy Holdings Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017.

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. There were no significant change in the nature of the Group’s principal activities during the year.

The particulars of the subsidiaries are set out in note 43 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group as at that date are set out in the financial statements and the notes on pages 130 to 273.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 32 to the financial statements.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2017, except that the trustee of the share award scheme adopted on 9 September 2016 (“Share Award Scheme”), pursuant to the rules of the Share Award Scheme, purchased on the open market a total of 450,000 shares of the Company at a consideration of approximately HK\$803,000 (equivalent to RMB713,000) on 31 March 2017. As at 13 December 2017, the trustee of the Share Award Scheme has purchased from the open market with aggregate 35,969,000 shares of the Company, representing approximately 0.59% of the issued share capital of the Company.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 130. The movements in reserves are set out in the consolidated statement of changes in equity on page 133.

No interim dividend was paid during the year (2016: nil), and the Directors do not recommend the payment of a final dividend (2016: nil) in respect of the year 2017.

DONATIONS

Charitable and other donations made by the Group during the reporting year amounted to approximately RMB1.73 million (2016: RMB8.46 million).

董事會茲提呈中國現代牧業控股有限公司(「本公司」)及其附屬公司(統稱「本集團」)截至二零一七年十二月三十一日止年度之報告及經審核財務報表。

主要業務

本公司的主要業務為投資控股，而其附屬公司則主要從事(i)向客戶生產及銷售原料奶以供加工為奶類產品；及(ii)生產及銷售液態奶產品。年內，本集團的主要業務性質並無重大變動。

附屬公司的詳情載於財務報表附註43。

財務報表

本集團截至二零一七年十二月三十一日止年度的業績及本公司和本集團於該日的財務狀況載於第130至273頁之財務報表及其附註。

股本

本公司股本於年內之變動詳情載於財務報表附註32。

購買、出售或贖回本公司之上市證券

截至二零一七年十二月三十一日止年度，本公司或其任何附屬公司概無購買、贖回或出售本公司之上市證券，惟於二零一六年九月九日獲採納之股份獎勵計劃之受託人根據股份獎勵計劃(「股份獎勵計劃」)之規則於二零一七年三月三十一日於公開市場購買合共450,000股本公司股份，代價約為803,000港元(相當於人民幣713,000元)。於二零一七年十二月十三日，股份獎勵計劃的受託人已自公開市場購買合共35,969,000股本公司股份，相當於本公司已發行股本約0.59%。

業績及股息

本集團截至二零一七年十二月三十一日止年度之業績載於第130頁之綜合損益及其他全面收益表中。儲備變動載於第133頁之綜合權益變動表中。

年內並無派發中期股息(二零一六年：無)，且董事不建議派發二零一七年度之末期股息(二零一六年：無)。

捐款

本集團於報告年內作出的慈善及其他捐款約為人民幣1.73百萬元(二零一六年：人民幣8.46百萬元)。



Report of the Directors 董事會報告書

BUSINESS REVIEW

A review of the Group's business, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing, and an analysis of the Group's performance using financial key performance indicators for year ended 31 December 2017 are provided in the CEO's Statement on pages 5 to 9 and the Management Discussion and Analysis on pages 15 to 40 of this annual report. These discussions form part of this report.

The financial risk management objectives and policies of the Group are shown in note 36 to the financial statements.

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL PROTECTION

As a responsible business participant, the Group strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure our products meet the required standards and ethics in respect of environment protection.

RELATIONSHIPS WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are values at all times. The Group regularly reviews compensation and benefits policies accordingly to industry benchmark as well as the individual performance of employees. Other fringe benefits, mandatory provident fund, share options and share award scheme are provided to retain loyal employees with the aim to form a professional staff and management team that can bring the Group to different levels of success.

RELATIONSHIPS WITH SUPPLIERS

The Company adopts an open, fair and impartial procurement policies, and takes the lead in formulating industry standards as a win-win approach for a healthy development of the dairy industry. The quality and safety of feed are always our primary consideration. We have established long-term cooperation relationship with a number of suppliers, and strived to ensure that they are in compliance with our undertaking on quality and ethics. We require the suppliers to observe our undertaking on integrity. We have stringent requirements in supplier selection and that they must satisfy the qualification requirements in quality, safety, nutrients, historical record and overall performance etc. and pass our constant examination and evaluation before becoming our qualified suppliers.

業務回顧

截至二零一七年十二月三十一日止年度之本集團業務回顧、本集團未來業務發展之討論及本集團可能面對之潛在風險及不明朗因素以及本集團採用財務關鍵表現指標之表現分析分別載於年報總裁報告書第5至9頁及管理層討論與分析第15至40頁。該等討論構成本報告的一部分。

本集團金融風險管理的目標及政策載於財務報表附註36。

除財務表現外，本集團認為高標準的企業社會責任對建立良好的企業社會關係及激勵員工以及為本集團創造可持續回報至關重要。我們致力於促進我們的業務及利益相關者所在地的環境及社區的可持續發展。

環境保護

作為一名負責任的業務參與者，本集團竭力嚴格遵守有關環境保護的法律及法規及採用有效的環保技術，以確保我們的產品符合有關環境保護所規定的標準及規範。

與僱員的關係

本集團僱員為本集團最重要資產及持份者之一，彼等的貢獻及支持一直為本集團帶來重要價值。本集團根據行業標準及僱員之個別表現定期檢討補償及福利政策，並提供其他額外福利、強制性公積金、購股權及股份獎勵計劃以挽留忠誠僱員，旨在組成一支專業的員工及管理團隊，為公司達致不同層面的成功。

與供應商的關係

本公司採納公開、公平、公正的採購政策，引領制定行業標準，為乳業健康發展締造雙贏途徑。飼料的品質和安全是我們的一貫首要的考慮因素，我們已與多家供應商建立了長期合作關係，並盡力確保其遵守我們對質素及道德的承諾，並要求供應商遵守我們的廉潔承諾。我們對供應商的選擇要求是嚴格的，供應商必須滿足品質、安全、營養成分、歷史記錄、整體業績等方面的資格要求，且必須經過我們常設的評估，方可成為我們合格的供應商。



Report of the Directors 董事會報告書

RELATIONSHIPS WITH CUSTOMERS

To provide high quality products and services to customers are always our mission. Customers' need and demand are always our top consideration. With the increase of income and the popularization of health concepts, the demand of dairy products is increasingly augmented with a growing tendency for diversified products. We keeps improving our customer service system and makes regular investigation on the satisfaction of consumers to proactively understand their demand. Besides, we have opened hotline to receive complaints and suggestions from consumers and communicate with them.

In addition, we, together with Mengniu Group expands the sales network and increases sale forms, setting up outlets in large supermarkets, By doing so, we hope to gradually develop customers, deliver our fresh milk products in time, and meet consumers' demand.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's main operations are carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Hong Kong Stock Exchange. The Group's operations are regulated by Hong Kong and mainland China laws. During the year ended 31 December 2017 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company. Please refer to the discussions in this report and the "Corporate Governance Report" for further details on the Group's compliance with the relevant laws and regulations.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association (the "Articles of Association"), every Director shall be entitled to be indemnified out of the assets of the Company against all loss or liabilities (to the fullest extent permitted by the Companies Law of the Cayman Islands) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability coverage for the Directors and officers of the Company.

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is determined with reference to the duties, responsibilities, performance of the Directors, the results of the Group and the prevailing market rate.

Details of the remuneration of the Directors are set out in note 10 to the financial statements.

CORPORATE GOVERNANCE PRACTICE

Details of the corporate governance practice of the Company are set out on pages 49 to 65 of this annual report.

與客戶的關係

為客戶提供高品質的產品和服務是我們的使命，客戶的需要和需求始終是我們的首要考慮因素。隨著我國居民收入水準的提高和健康觀念的普及，奶製品需求量日益增大，需求形式的多樣性也更加明顯。我們不斷完善客戶服務體系，定期開展消費者滿意度調查，主動瞭解消費者需求；開通熱線，接聽消費者的投訴與建議，與消費者交流。

此外，我們與蒙牛集團也拓寬銷售網絡、豐富銷售形式，參與商超促銷，進駐大型超市，建立遍佈全國的銷售網點，逐步培養客戶，保證奶品優惠送達、新鮮到家，滿足消費者需求。

遵守法律及法規

本集團的主要營運由本公司中國內地附屬公司進行，而本公司自身於香港聯交所上市。本集團營運受香港及中國內地法例監管。於截至二零一七年十二月三十一日止年度及直至本報告日期，董事會並不知悉任何不遵守相關法律及法規並對本公司造成重大影響的情況。有關本集團遵守相關法律及法規的進一步詳情，請參閱本報告的討論及「企業管治報告」。

獲准許的彌償條文

根據本公司的組織章程細則（「組織章程細則」），每名董事有權就其於或因履行職責或其他有關事宜而可能蒙受或產生的所有損失或責任（在開曼群島公司法許可的最大範圍內），自本公司的資產中獲得彌償。本公司已為董事及本公司主要行政人員購買適當之董事及主要行政人員責任保險。

董事的薪酬

各董事的薪酬乃參考董事的職務、責任、表現及本集團的業績以及現行市價而釐定。

董事的薪酬詳情載於財務報表附註10。

企業管治常規

本公司的企業管治常規詳情載於年報第49至65頁。



Report of the Directors 董事會報告書

SHARE CAPITAL

During the reporting year, the Company issued 826,638,823 ordinary shares in the Company (2016: Nil) fully paid.

Details of the movement of share capital are set out in note 32.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 133 and note 45 to the financial statements. The Company's distributable reserves, calculated in accordance with the Companies Law of Cayman Islands, amounted to approximately RMB6,019.5 million as at 31 December 2017 (2016: RMB4,472.0 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 274 to 276.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment 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 2017 are set out in notes 26, 27, 28, 29 and 30 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the Group's primary customers. Mengniu Group, accounted for approximately 74.09% (2016: 48.33%) of the Group's total turnover for the year ended 31 December 2017. The Group's five largest customers contributed in aggregate 88.35% (2016: 69.65%) of the Group's total turnover for the year ended 31 December 2017.

During the year ended 31 December 2017, the five largest suppliers of the Group in aggregate represented 12.37% (2016: 12.71%) of the Group's total purchases. Purchases from the largest supplier accounted for approximately 3.40% (2016: 4.24%) of the Group's total purchases.

Save as disclosed under the paragraph headed "Continuing Connected Transactions" and the interest in Mengniu of Mr. Lu Minfang, Mr. Zhang Ping and Mr. Wen Yongping as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" below of this report, 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.

股本

於報告年內，本公司發行826,638,823股繳足普通股(二零一六年：無)。

股本變動詳情載於附註32。

可分派儲備

本集團及本公司於年內的儲備變動詳情載於第133頁的綜合權益變動表及財務報表附註45。於二零一七年十二月三十一日，本公司的可分派儲備按開曼群島公司法計算約為人民幣6,019.5百萬元(二零一六年：人民幣4,472.0百萬元)。

財務摘要

本集團於過去五個財政年度的業績及資產和負債摘要載於第274至276頁。

物業、廠房及設備

本集團物業、廠房及設備的變動詳情載於財務報表附註14。

銀行及其他貸款

本集團於二零一七年十二月三十一日之銀行及其他貸款詳情載於財務報表附註26、27、28、29及30。

主要客戶及供應商

截至二零一七年十二月三十一日止年度，本集團主要客戶蒙牛集團應佔營業額佔本集團總營業額約74.09%(二零一六年：48.33%)。截至二零一七年十二月三十一日止年度，本集團五大客戶合共佔本集團總營業額88.35%(二零一六年：69.65%)。

截至二零一七年十二月三十一日止年度，本集團五大供應商合共佔本集團總採購額的12.37%(二零一六年：12.71%)。最大供應商的採購額佔本集團總採購額約3.40%(二零一六年：4.24%)。

除本報告「持續關連交易」一段所披露者以及下文「董事及主要行政人員於股份、相關股份及債券的權益及淡倉」一節所披露盧敏放先生、張平先生及溫永平先生於蒙牛的權益外，董事、彼等的任何聯繫人或任何股東(據董事所知擁有本公司股本5%以上者)概無擁有本集團五大客戶及供應商的任何實益權益。



Report of the Directors 董事會報告書

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with Article 17.18 of the Articles of Association of the Company, Ms. Gao Lina, Mr. Zhang Ping and Mr. Kang Yan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM as at the date of this report.

The Company considers that all the independent non-executive Directors are independent pursuant to the criteria set out in Rule 3.13 of the Listing Rules and that a confirmation of independence has been received from each of them.

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 41 to 48.

Directors' Services Contracts

None of the Directors being proposed for re-election at the 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.

董事

截至二零一七年十二月三十一日止年度及截至本報告日期，擔任董事之人士如下：

執行董事

高麗娜女士 (*副主席兼總裁*)
韓春林先生 (*營運總經理*)

非執行董事

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

獨立非執行董事

李勝利先生
李港衛先生
康龔先生
鄒飛先生
(於二零一七年三月二十九日辭任)

根據本公司組織章程細則第17.18條，於本報告日期，高麗娜女士、張平先生及康龔先生將於即將舉行之股東週年大會上輪值告退，惟彼等符合資格且願意膺選連任。

本公司認為根據上市規則第3.13條所有獨立非執行董事均屬獨立，且已收到各獨立非執行董事獨立性確認書。

董事及高級管理層之履歷詳情

本集團董事及高級管理層於本年報日期之履歷詳情載於本年報第41至48頁。

董事服務合約

擬於股東週年大會重選的董事，概無與本公司或其任何附屬公司訂立不可於一年內在免付賠償的情況下(法定賠償除外)的服務合約。



Report of the Directors 董事會報告書

Related Parties Transaction

None of the “Related Parties Transactions” as disclosed in note 42 to the consolidated financial statements for the year under review constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

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

At 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

關聯方交易

概無「關聯方交易」(於回顧年度綜合財務報表附註42披露)構成上市規則下須予披露非豁免關連交易或非豁免持續關連交易。

董事及主要行政人員於股份、相關股份及債券的權益及淡倉

於二零一七年十二月三十一日，董事及本公司主要行政人員及彼等各自的聯繫人於本公司或其相關法團(定義見證券及期貨條例(香港法例第571章)(「證券及期貨條例」)第XV部)的股份、相關股份及債券中，擁有根據證券及期貨條例第352條須登記於本公司存置的登記冊的權益及淡倉，或根據上市發行人董事進行證券交易的標準守則(「標準守則」)須知會本公司及香港聯交所的權益及淡倉如下：

Name of Director 董事姓名	Nature of interest 權益性質	Number of Shares or underlying Shares 股份或相關股份數目	Approximate percentage of shareholding interest 股權概約百分比
Ms. GAO Lina ⁽¹⁾ 高麗娜女士 ⁽¹⁾	Interest in controlled corporation 受控制法團權益	221,581,733	3.61%
	Beneficial owner 實益持有人	38,077,916 ⁽²⁾	0.62%
Mr. HAN Chunlin 韓春林先生	Beneficial owner 實益持有人	23,628,916 ⁽³⁾	0.39%
(1)	Ms. Gao holds approximately 49.12% of the interests in Jinmu Holdings Co Ltd. (“Jinmu”). Ms. Gao is deemed to be interested in the 221,581,733 shares in the Company held by Jinmu under the SFO.	(1)	高女士擁有Jinmu Holdings Co Ltd.(「Jinmu」)約49.12%權益。根據證券及期貨條例，高女士被視為於Jinmu所持221,581,733股本公司股份中擁有權益。
(2)	This represent legal and beneficial interest of 4,800,000 shares in the Company, 4,001,000 award shares granted on 24 April 2017 but not yet vested under the Share Award Scheme, and 29,276,916 share options in underlying shares of the pre-IPO management options (the “Management Options”) granted by the Company.	(2)	這指4,800,000合法實益持有的本公司股份、根據股份獎勵計劃已於二零一七年四月二十四日授出但尚未歸屬的4,001,000股獎勵股份，以及本公司所授出首次公開發售前管理層購股權(「管理層購股權」)的相關股份中29,276,916份購股權。
(3)	These represent 1,975,000 award shares granted on 24 April 2017 but not yet vested under the Share Award Scheme, and 21,653,916 share options in underlying shares of the Management Options granted by the Company.	(3)	這相當於根據股份獎勵計劃已於二零一七年四月二十四日授出但尚未歸屬的1,975,000股獎勵股份，及本公司所授出管理層購股權的相關股份中21,653,916份購股權。



Report of the Directors 董事會報告書

Interest in Associated Corporation

於相聯法團的權益

Name of Director 董事姓名	Name of associated corporation 相聯法團名稱	Number of shares 股份數目股權	Approximate percentage of shareholdings interest 概約百分比
Mr. Lu Minfang 盧敏放先生	China Mengniu Dairy Company Limited 中國蒙牛乳業有限公司	1,029,100	0.03%
Mr. Zhang Ping 張平先生	China Mengniu Dairy Company Limited 中國蒙牛乳業有限公司	277,740	0.01%
Mr. Wen Yongping 溫永平先生	China Mengniu Dairy Company Limited 中國蒙牛乳業有限公司	234,500	0.01%

Note: Mr. Lu Minfang, Mr Zhang Ping and Mr. Wen Yongping are non-executive Directors of the Company. Mr. Lu Minfang is an executive director and chief executive officer of Mengniu. Mr. ZHANG Ping is a chief financial officer of Mengniu. Mr. WEN Yongping is the assistant vice president of Mengniu and the general manager of the milk sources business department of Mengniu. As at the date of this report, Mengniu holds 60.76% of the issued share capital of the Company.

附註：盧敏放先生、張平先生及溫永平先生均為本公司的非執行董事。盧敏放先生為蒙牛的執行董事兼總裁。張平先生為蒙牛的首席財務官。溫永平先生為蒙牛的副總裁兼蒙牛奶源事業部總經理。於本報告日期，蒙牛持有本公司已發行股本60.76%。

Saved as disclosed above, as at 31 December 2017, none of the Directors and the chief executives of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

除上文所披露者外，於二零一七年十二月三十一日，董事及本公司主要行政人員及彼等各自的聯繫人概無於本公司或其任何相聯法團（定義見證券及期貨條例第XV部）的股份、相關股份及債券中，擁有根據證券及期貨條例第352條須登記於本公司存置的登記冊的任何權益及淡倉，或根據標準守則須知會本公司及香港聯交所的任何權益及淡倉。

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

董事於交易、安排或合約的權益

As disclosed in the section headed "Management Discussion and Analysis — Acquisition by Mengniu", Mengniu announced and acquired, upon the completion of the Offer, additional shares in the Company. Mr. Zhang Ping was a chief financial officer of Mengniu and a director of the Company at the time of the transaction.

誠如「管理層討論及分析—蒙牛增持」一節所披露，於完成要約後，蒙牛宣佈及收購本公司額外股份。於交易時，張平先生為蒙牛首席財務官及本公司董事。

No transaction, arrangement or contract of significance, to which the Company, its fellow subsidiaries, its subsidiaries or its holding company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

概無任何本公司、同系附屬公司、附屬公司或控股公司屬於其中一方而董事擁有直接或間接重大權益並於本年度結束時或年內任何時間仍然生效之重大交易、安排或合約。



Report of the Directors 董事會報告書

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 reporting year.

During the year under review, Mr. Lu Minfang is an executive director and chief executive officer of Mengniu. Mr. ZHANG Ping is a chief financial officer of Mengniu. Mr. WEN Yongping is the assistant vice president of Mengniu and the general manager of the milk sources business department of Mengniu. Mengniu is a substantial shareholder of the Company and is engaged in the dairy industry.

All of them hold interest in Mengniu as at 31 December 2017 as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures" above.

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 reporting year.

董事於競爭業務的權益

於報告年內，下段所列董事於多項業務中擁有利益，該等業務被視為與本集團業務直接或間接構成或可能構成競爭。

於回顧年度內，盧敏放先生為蒙牛的執行董事兼總裁。張平先生為蒙牛的首席財務官。溫永平先生為蒙牛的助理副總裁兼蒙牛奶源事業部總經理。蒙牛為本公司的主要股東，並從事乳品行業。

誠如上文「董事及主要行政人員於股份、相關股份及債券的權益及淡倉」一節所披露，彼等於二零一七年十二月三十一日於蒙牛持有權益。

上述競爭性業務由具有獨立管理及行政的不同實體管理。董事認為本集團能夠獨立於該等實體公平地經營其業務。作出決策時，相關董事就履行其作為董事的職責方面已經並將繼續以本集團的最佳利益行事。

除上文所披露者外，年內概無董事或彼等各自的聯繫人在與本集團業務構成或可能構成競爭的任何公司或業務中擁有任何權益。

管理合約

於報告年內，本公司及本集團並無訂立亦不存在任何有關整體或任何重大業務部分管理及行政之合約。



Report of the Directors 董事會報告書

PRE-IPO MANAGEMENT OPTIONS

The Company granted Management Options to Ms. Gao Lina, Mr. Han Chunlin and Mr. Sun Yugang. The following Management Options were outstanding during the period:

首次公開發售前管理層購股權

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

Name of grantee 承授人姓名	Date of grant 授出日期	Number of underlying shares of the Company which may be issued pursuant to the Management Options 根據管理層購股權可能發行的本公司相關股份數目				As at 31 December 2017 於二零一七年 十二月三十一日
		As at 1 January 2017 於二零一七年 一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Cancelled during the period ⁽²⁾ 期內註銷 ⁽²⁾	
Ms. GAO Lina 高麗娜女士	31 October 2010 二零一零年十月三十一日	29,276,916	-	-	-	29,276,916
Mr. HAN Chunlin 韓春林先生	31 October 2010 二零一零年十月三十一日	21,653,916	-	-	-	21,653,916
Mr. SUN Yugang ⁽¹⁾ 孫玉剛先生 ⁽¹⁾	31 October 2010 二零一零年十月三十一日	9,142,924	-	-	(9,142,924)	-
		60,073,756	-	-	(9,142,924)	50,930,832

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

附註(1) 孫玉剛於二零一七年三月二十九日辭任本公司非執行董事。

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

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

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

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

The number of shares in the Company to be issued upon the exercise of the outstanding options is 50,930,832 shares, representing 0.83% of the issued share capital of the Company as at 31 December 2017.

於二零一七年十二月三十一日，因行使尚未行使的購股權而發行的本公司股份數目為50,930,832股，佔本公司已發行股本0.83%。



Report of the Directors 董事會報告書

SHARE OPTIONS

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

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

購股權

(I) 於二零一一年十一月十七日採納的購股權計劃(「購股權計劃I」)

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

Name or category of participant 參與人士姓名或類別	Number of shares of the Company which may be issued pursuant to the Share Options Scheme I 根據購股權計劃I可能發行的本公司股份數目					Option period 購股權期限
	As at 1 January 2017 於二零一七年一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Cancelled during the period ⁽³⁾ 期內註銷 ⁽³⁾	As at 31 December 2017 於二零一七年十二月三十一日	
Directors 董事						
Ms. GAO Lina 高麗娜女士	2,879,600	-	-	(2,879,600)	-	12.12.2012-30.6.2020
Mr. HAN Chunlin 韓春林先生	1,900,667	-	-	(1,900,667)	-	12.12.2012-30.6.2020
Mr. SUN Yugang 孫玉剛先生	1,922,066	-	-	(1,922,066)	-	12.12.2012-30.6.2020
Subtotal 小計	6,702,333	-	-	(6,702,333)	-	
Other employees 其他僱員						
In aggregate 合計	20,620,982	-	-	(20,620,982)	-	12.12.2012-30.6.2020
Total 總計	27,323,315	-	-	(27,323,315)	-	

Notes:

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

附註：

- 所有上述購股權均於二零一二年十二月十二日授出及行使價為每股2.89港元。本公司股份於授出日期的收市價為每股1.98港元。
- 上述購股權指由相關董事及員工作為實益擁有人持有的個人權益。
- 所有尚未行使的購股權於上述購股權持有人接納要約時被註銷。



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

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

(II) 於二零一四年六月五日採納的購股權計劃(「購股權計劃II」)

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

Name or category of participant 參與人士姓名或類別	Number of shares of the Company which may be issued pursuant to the Share Options Scheme II 根據購股權計劃II可能發行本公司股份數目					Option period 購股權期限
	As at 1 January 2017 於二零一七年一月一日	Granted during the period 期內授出	Exercised during the period 期內行使	Cancelled during the period ⁽³⁾ 期內註銷 ⁽³⁾	As at 31 December 2017 於二零一七年十二月三十一日	
Directors 董事						
Ms. GAO Lina 高麗娜女士	8,779,823	-	-	(8,779,823)	-	6.6.2014-29.4.2022
Mr. HAN Chunlin 韓春林先生	6,500,000	-	-	(6,500,000)	-	6.6.2014-29.4.2022
Mr. SUN Yugang 孫玉剛先生	5,000,000	-	-	(5,000,000)	-	6.6.2014-29.4.2022
Subtotal 小計	20,279,823	-	-	(20,279,823)	-	
Other employees 其他僱員						
In aggregate 合計	61,074,811	-	-	(61,074,811)	-	6.6.2014-29.4.2022
Total 總計	81,354,634	-	-	(81,354,634)	-	

Notes:

- All the share options above were granted on 6 June 2014, 17 June 2015 and 9 September 2016 and the exercise prices are HK\$3.38 per share, HK\$2.83 per share and HK\$1.52 per share, respectively. The closing prices of the shares in the Company on 6 June 2014, 17 June 2015 and 9 September 2016 are HK\$3.38, HK\$2.72 and HK\$1.52, respectively.
- The share options above represent personal interest held by the relevant Directors and employees as beneficial owners.
- All the outstanding share options were cancelled when the above optionholders accepted the Offers made by Mengniu.

附註：

- 所有上述購股權均於二零一四年六月六日、二零一五年六月十七日及二零一六年九月九日授出，行使價分別為每股3.38港元、每股2.83港元及每股1.52港元。本公司股份於二零一四年六月六日、二零一五年六月十七日及二零一六年九月九日的收市價分別為3.38港元、2.72港元及1.52港元。
- 上述購股權指由相關董事及僱員作為實益擁有人持有的個人權益。
- 所有尚未行使的購股權於上述購股權持有人接納蒙牛作出的要約時被註銷。



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

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

(III) 於二零一六年九月三十日採納的購股權計劃(「購股權計劃III」)

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

Name or category of participant 參與人士姓名或類別	Number of shares of the Company which may be issued pursuant to the Share Options Scheme III 根據購股權計劃III可能發行本公司股份數目					As at 31 December 2017 於二零一七年十二月三十一日	Option period 購股權期限
	As at 1 January 2017 於二零一七年一月一日	Granted during the period 期內授出	Forfeited during the period 期內沒收	Cancelled during the period ⁽³⁾ 期內註銷 ⁽³⁾	As at 31 December 2017 於二零一七年十二月三十一日		
Directors 董事							
Ms. GAO Lina 高麗娜女士	12,000,000	-	-	(12,000,000)	-	8.11.2016-31.12.2023	
Mr. HAN Chunlin 韓春林先生	6,000,000	-	-	(6,000,000)	-	8.11.2016-31.12.2023	
Subtotal 小計	18,000,000	-	-	(18,000,000)	-		
Other employees 其他僱員							
In aggregate 合計	128,650,000	-	(150,000)	(128,500,000)	-	8.11.2016-31.12.2023	
Total 總計	146,650,000	-	(150,000)	(146,500,000)	-		

Notes:

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

附註：

- 上述購股權於二零一六年十一月八日授出，行使價為每股1.71港元。本公司股份於二零一六年十一月八日的收市價為每股1.71港元。
- 上述購股權指由相關董事及僱員作為實益擁有人持有的個人權益。
- 所有尚未行使的購股權於上述購股權持有人接納要約時被註銷。



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Other details of the share options granted pursuant to the Share Option Scheme I, Share Option Scheme II and Share Option Scheme III are set out in note 33 to the financial statements.

During the year, out of a total of 315,401,705 share options under Management Options, Share Options Scheme I, Scheme II and Scheme III, 264,320,873 share options were cancelled as a result the acceptance of mandatory cash offer made by Mengniu which was completed on 21 March 2017.

The related accounting policy for the fair values of the share options are set out in note 3 to the financial statements.

SHARE AWARD SCHEME

The Company operates the Share Award Scheme which was adopted by the Company on 9 September 2016. The goal of the Share Award Scheme is to motivate the employees to maximize the value of and share the results with the Company in order to achieve sustainable development of the Group. During the reporting year, the aggregate number of restricted shares of the Company granted to selected participants was 35,969,000, representing approximately 0.59% of the issued share capital of the Company as at 31 December 2017. Out of the total shares granted, 13,274,000 award shares were granted to certain members of management, which would vest in two tranches each on the second, and third anniversaries of the grant date provided that certain performance and service conditions are met. The remaining award shares of 22,695,000 were granted to the eligible employees. The granted shares are subject to the terms and condition of the Share Award Scheme and the fulfillment of all vesting conditions to the vesting of the awarded shares in the Company on such selected participant as specified in the rules of the Share Award Scheme and the grant notice.

Further details of the share award scheme are also set out in note 33 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the section headed "Pre-IPO Management Options", "Share Options" and "Share Award 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.

根據購股權計劃I、購股權計劃II及購股權計劃III授出的購股權的其他詳情載於財務報表附註33。

於年內，由於由蒙牛提出的強制性現金要約獲接納，共計315,401,705份管理層購股權以及購股權計劃I、計劃II及計劃III下共計264,320,873份購股權獲註銷。該現金要約於二零一七年三月二十一日完成。

購股權公平值之相關會計政策載於財務報表附註3。

股份獎勵計劃

本公司運作其於二零一六年九月九日採納的一項股份獎勵計劃。股份獎勵計劃旨在激勵僱員為本公司創造最大價值及與本公司分享成果，以令本集團實現可持續發展。於報告年內，本公司向獲選參與者授出的限制性股份總數為35,969,000股，佔本公司於二零一七年十二月三十一日已發行股本約0.59%。於所有授出股份中，13,274,000股獎勵股份授予若干管理層成員，於授出日期的第二個周年及第三個周年各歸屬兩個部分，惟須符合若干表現及服務條件。餘下22,695,000股獎勵股份則授予合資格僱員。已授出股份須符合股份獎勵計劃的條款及條件，且須達成股份獎勵計劃規則及授股通知中規定向獲選參與者歸屬本公司獎勵股份的所有歸屬條件。

有關股份獎勵計劃之進一步詳情亦載於財務報表附註33。

董事購買股份或債券之權利

除上文「首次公開發售前管理層購股權」、「購股權」及「股份獎勵計劃」各節所披露者外，本公司或其任何附屬公司於年內任何時間概無作出任何安排，使董事或本公司主要行政人員有權認購本公司或其任何相聯法團（定義見證券及期貨條例）之證券，或透過收購本公司或任何其他法團之股份或債券而獲益。



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DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2017, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company and their respective associates, in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained under Section 336 of the SFO were as follows:

根據證券及期貨條例的股東須予披露權益及淡倉

於二零一七年十二月三十一日，主要股東(董事或本公司主要行政人員及彼等各自的聯繫人除外)於本公司或其相聯法團(定義見證券及期貨條例第XV部)的股份、相關股份及債券中擁有根據證券及期貨條例第336條須登記於登記冊的權益或淡倉如下：

Name 名稱	Capacity/Nature of interest 身份／權益性質	Number of shares of the Company 本公司股份數目	Approximate percentage of shareholding interest 股權概約百分比
China Mengniu Dairy Company Limited 中國蒙牛乳業有限公司	Beneficial interest 實益權益	1,317,903,000 ⁽¹⁾ (L)	21.49%
	Interest in controlled corporation 受控制法團權益	2,407,866,412 ⁽²⁾ (L)	39.27%
Future Discovery Limited	Beneficial interest 實益權益	2,407,866,412 ⁽²⁾ (L)	39.27%
Central Huijin Investment Ltd. 中央匯金投資有限責任公司	Interest in "other" capacity under Part XV of the SFO	363,903,000(L)	5.94%
	根據證券及期貨條例第XV部以「其他」身份持有的權益	689,438,782(S)	11.24%
	Interest in controlled corporation (through BOCI Financial Products Limited) 受控制法團權益(透過中銀國際金融產品有限公司)	325,535,782(L)	5.31%
	Interest in controlled corporation (through Nam Tung (Macao) Investment Limited) 受控制法團權益(透過澳門南通信託投資有限公司)	1,500,000	0.02%



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Name 名稱	Capacity/Nature of interest 身份／權益性質	Number of shares of the Company 本公司股份數目	Approximate percentage of shareholding interest 股權概約百分比
Bank of China Limited 中國銀行股份有限公司	Interest in "other" capacity under Part XV of the SFO 根據證券及期貨條例第XV部以「其他」身份持有的權益	363,903,000(L) 689,438,782(S)	5.94% 11.24%
	Interest in controlled corporation (through BOCI Financial Products Limited) 受控制法團權益(透過中銀國際金融產品有限公司)	325,535,782(L)	5.31%
	Interest in controlled corporation (through Nam Tung (Macao) Investment Limited) 受控制法團權益(透過澳門南通信託投資有限公司)	1,500,000(L)	0.02%
BOC International Holdings Limited 中銀國際控股有限公司	Interest in "other" capacity under Part XV of the SFO 根據證券及期貨條例第XV部以「其他」身份持有的權益	363,903,000(L) 689,438,782(S)	5.94% 11.24%
	Interest in controlled corporation (through BOCI Financial Products Limited) 受控制法團權益(透過中銀國際金融產品有限公司)	325,535,782(L)	5.31%
BOCI Financial Products Limited 中銀國際金融產品有限公司	Beneficial interest 實益權益	325,535,782(L)	5.31%
	Interest in "other" capacity under Part XV of the SFO 根據證券及期貨條例第XV部以「其他」身份持有的權益	363,903,000(L) 689,438,782(S)	5.94% 11.24%

(1) Among which up to 689,438,782 shares of the Company have been lent to BOCI Financial Products Limited pursuant to a securities lending agreement dated 18 May 2017 entered into between Mengniu as lender and BOCI Financial Products Limited as borrower.

(2) The interests refer to the same parcel of underlying shares in the Company. Future Discovery Limited is the subsidiary of Mengniu.

(3) (S) Indicates a short position.

(4) (L) Indicates a long position.

(1) 其中最多689,438,782股本公司股份已根據由蒙牛(作為貸款人)與中銀國際金融產品有限公司(作為借款人)所訂立日期為二零一七年五月十八日的借股協議借予中銀國際金融產品有限公司。

(2) 該權益指同一批本公司相關股份。Future Discovery Limited為蒙牛的附屬公司。

(3) (S)指淡倉。

(4) (L)指好倉。

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 2017.

除上文所披露者外，於二零一七年十二月三十一日，本公司並不知悉於佔本公司已發行股本5%或以上的股份或相關股份中擁有或根據證券及期貨條例第336條須登記於存置的登記冊內的任何其他權益或淡倉。



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CONTINUING CONNECTED TRANSACTION Off-Take Agreement

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

Date:	24 October 2008
Parties:	(i) Modern Farming, a non-wholly owned subsidiary of the Company (ii) Inner Mongolia Mengniu, a non-wholly owned subsidiary of Mengniu
Nature of the Transaction:	Modern Farming shall supply raw milk to Inner Mongolia Mengniu.
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 Farming shall be entitled to require Inner Mongolia Mengniu to purchase, subject to certain limitations, all of its raw milk production in the upcoming calendar year.
Right to sell to other parties:	Modern Farming 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 Farming's sales of raw milk to third parties or development of its own dairy products.

持續關連交易 承購供應協議

本公司於二零零六年開始向蒙牛集團出售原奶，而於二零零八年十月二十四日經公平磋商後，現代牧業(集團)有限公司(「現代牧業(集團)」)與內蒙古蒙牛乳業(集團)股份有限公司(「內蒙古蒙牛」)訂立承購供應協議(「承購供應協議」)，據此，本公司須向內蒙古蒙牛供應原奶。

日期：	二零零八年十月二十四日
訂約方：	(i) 現代牧業(集團)(本公司的非全資附屬公司) (ii) 內蒙古蒙牛(蒙牛的非全資附屬公司)
交易性質：	現代牧業(集團)須向內蒙古蒙牛供應原奶。
承諾購買：	訂約雙方須於各曆年開始前三個月開始討論估計年度供應量。 倘訂約方未能達成協定金額，現代牧業(集團)有權要求內蒙古蒙牛在若干限制下購買其於下一個曆年的全部原奶產量。
向其他訂約方出售的權利：	除蒙牛的兩名競爭對手外，現代牧業(集團)可酌情向第三方出售其各畜牧場每日生產的原奶的30%。除上述者外，承購供應協議並無載有現代牧業(集團)向第三方銷售原奶或其開發自家乳品的其他限制。



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Pricing: The pricing of the raw milk sold to Inner Mongolia Mengniu 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 Farming'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). Inner Mongolia Mengniu also grants Modern Farming an option to sell to Inner Mongolia Mengniu the same amount of raw milk at the same terms and prices Inner Mongolia Mengniu offers to any third party suppliers.

Term: The Off-Take Agreement shall be for a term of 10 years commencing from 24 October 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 2017 amounted to approximately RMB3,304,833,000 (2016: RMB2,349,781,000).

定價： 向內蒙古蒙牛出售原奶的價格乃透過公式釐定，公式乃參考基本價格、達致若干質量標準(如脂肪及蛋白含量水平等)時的上調及其他上調(倘現代牧業(集團)的牧場處於蒙牛集團乳品加工廠的協定鄰近範圍內)計算。基本價格乃按蒙牛集團在有關時間提出向其他能提供可比較質量原奶的大中型畜牧場或(倘在該地區並無上述大中型畜牧場)鄰近地區的其他可資比較畜牧場購買原奶的價格，另加調整以反映不同地區的價格。

蒙牛集團根據承購供應協議應付的基本價格及上調不得低於其分別向相同地區內的其他大中型畜牧場支付的基本價格及上調，惟向牛奶供應商提供的短期回贈計劃(僅佔蒙牛集團原奶採購總額的小部分)除外。內蒙古蒙牛亦授予現代牧業(集團)一項選擇權，以按內蒙古蒙牛向任何第三方供應商提供原奶的相同條款及價格向內蒙古蒙牛銷售相同金額的原奶。

年期： 承購供應協議由二零零八年十月二十四日起計為期10年，在並無發生任何不可抗力或違約事件的情況下，將於屆滿後自動延長10年。

有關承購供應協議的詳情，於本公司日期為二零一三年五月二十三日的公告內披露。

於截至二零一七年十二月三十一日止年度，根據承購供應協議的銷售總額約達人民幣3,304,833,000元(二零一六年：人民幣2,349,781,000元)。



Report of the Directors 董事會報告書

Framework Supply Agreement

Modern Farming, a subsidiary of the Company, after entering into the Framework Supply Agreement dated 16 June 2017 (as amended by the Amendment Agreement to the Framework Supply Agreement on 28 November 2017 (collectively the “Framework Supply Agreement”) with Inner Mongolia Fuyuan International Industrial Corporation Limited (“Fuyuan” together with its subsidiaries “Fuyuan Group”), could secure stable and high quality Feedstuffs supply from Fuyuan, which are more cost effective and could alleviate Company’s production cost.

Date: 16 June 2017 as amended on 28 November 2017.

Parties: (i) Modern Farming as the buyer; and (ii) Fuyuan as the seller.

Duration: For a term commencing from the effective date of the Framework Supply Agreement to 31 December 2019.

Principal Terms: Pursuant to the Framework Supply Agreement, (i) the Modern Farming agrees to purchase the feedstuffs that meet the quality requirements of the Modern Farming which are delivered to the relevant farms of the Modern Farming, and (ii) the Fuyuan Group agrees to sell and deliver the feedstuff for dairy cows, which meet the quality requirements of Modern Farming, to the respective farms of the Modern Farming.

Pricing: The price payable and other payment terms by the Modern Farming to the Fuyuan Group shall be determined by reference to the lowest quoted price and other payment terms at which the Modern Farming could obtain the same type of feedstuffs from independent third party (whether local or overseas); for this purpose, the Modern Farming will seek quotations from at least two independent parties offering the same type of feedstuffs each time.

Effective Date: The Framework Supply Agreement is effective on the date it was signed.

框架供應協議

與內蒙古富源國際實業有限公司(「富源」，連同其附屬公司統稱「富源集團」)訂立日期為二零一七年六月十六日的框架供應協議(經二零一七年十一月二十八日的框架供應協議的修訂協議(統稱「框架供應協議」)修訂)後，本公司附屬公司現代牧業(集團)可獲富源穩定供應優質飼料，此舉更具成本效益並有助降低本公司生產成本。

日期：二零一七年六月十六日(於二零一七年十一月二十八日經修訂)。

訂約方：(i) 現代牧業(集團)(作為買方)；及(ii)富源(作為賣方)。

年期：框架供應協議的生效日期起至二零一九年十二月三十一日止。

主要條款：根據框架供應協議，(i)現代牧業(集團)同意購買運送到現代牧業(集團)相關牧場的符合現代牧業(集團)質量要求的飼料，及(ii)富源集團同意出售並運送到現代牧業集團相關牧場的符合現代牧業(集團)質量要求的飼料。

定價：現代牧業(集團)向富源集團應付的價格及其他支付條款將參考現代牧業(集團)就同類飼料向獨立第三方(無論為本地或海外)取得的最低報價及其他支付條款而釐定；就此而言，現代牧業(集團)每次至少向兩名提供同類飼料的獨立第三方尋求報價。

生效日期：框架供應協議於簽訂當日生效。



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Annual Capacity:	The purchase of feedstuffs under the Framework Supply Agreement for the periods:-	年度上限：	於以下期間根據框架供應協議採購飼料：
	1. commencing from the effective date of the Framework Supply Agreement to 31 December 2017: RMB180 million;	1.	自框架供應協議生效日期起至二零一七年十二月三十一日止：人民幣1.8億元；
	2. From 1 January 2018 to 31 December 2018: RMB230 million	2.	自二零一八年一月一日起至二零一八年十二月三十一日止：人民幣2.3億元
	3. 1 January 2019 to 31 December 2019: RMB230 million	3.	自二零一九年一月一日起至二零一九年十二月三十一日止：人民幣2.3億元

Details of the Framework Supply Agreement, please refers to the Company's announcement dated 16 June 2017, 4 August 2017 and 28 November 2017.

框架供應協議的詳情請參閱本公司日期為二零一七年六月十六日、二零一七年八月四日及二零一七年十一月二十八日的公告。

The aggregate purchase of feedstuff for the year ended 31 December 2017 from Fuyuan amounted to RMB 106,519,000.

截至二零一七年十二月三十一日止年度向富源採購飼料總額為人民幣106,519,000元。

Framework Supply and Processing Agreement

By entering into of the Framework Supply and Processing Agreement dated 16 June 2017 (as amended by Amendment Agreement to the Framework Supply and Processing Agreement on 28 November 2017 collectively the "Framework Supply and Processing Agreement") with Inner Mongolia Mengniu, together with its subsidiaries ("Inner Mongolia Mengniu Group") could enhance brand awareness of the Group's products, capacity utilization, market share and could result in greater economic benefit and maximization of synergy effect with Mengniu Group.

框架供應及加工協議

與內蒙古蒙牛(連同其附屬公司統稱「內蒙古蒙牛集團」)訂立日期為二零一七年六月十六日的框架供應及加工協議(經二零一七年十一月二十八日的框架供應及加工協議的修訂協議(統稱「框架供應及加工協議」)修訂)，可提升本集團產品的品牌知名度，產能利用率及市場佔有額，從而獲取更大的經濟效益及與蒙牛集團達成最佳協同效益。

Date:	16 June 2017 as amended on 28 November 2017.	日期：	二零一七年六月十六日(於二零一七年十一月二十八日經修訂)。
Parties:	(i) Inner Mongolia Mengniu; and (ii) Modern Farming.	訂約方：	(i) 內蒙古蒙牛；及(ii)現代牧業(集團)。
Duration:	For a term commencing from the effective date of the Framework Supply and Processing Agreement to 31 December 2018.	年期：	框架供應及加工協議的生效日期起至二零一八年十二月三十一日止。
Principal Terms:	(a) the Inner Mongolia Mengniu Group agrees to purchase the milk products (including pure milk, yogurt and pasteurized milk) that meet the quality requirements of the Inner Mongolia Mengniu Group from the Modern Farming; and (b) the Modern Farming agrees to sell and deliver the milk products (including pure milk, yogurt and pasteurized milk), which meet the quality requirements of the Inner Mongolia Mengniu Group, to the Inner Mongolia Mengniu Group;	主要條款：	(a)內蒙古蒙牛集團同意向現代牧業(集團)購買符合內蒙古蒙牛集團質量要求的乳製品(包括純牛奶、酸奶及巴氏殺菌奶)；及(b)現代牧業(集團)同意向內蒙古蒙牛集團出售及配送符合內蒙古蒙牛集團質量要求的乳製品(包括純牛奶、酸奶及巴氏殺菌奶)；



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Pricing:	The price payable by the Inner Mongolia Mengniu Group to the Modern Farming for the supply of milk products should be determined on the “cost plus 3%” basis.	定價：	內蒙古蒙牛集團就乳製品供應向現代牧業(集團)應付的價格應按「成本加3%」基準釐定。
Effective Date:	The Framework Supply and Processing Agreement is effective on the date it was signed.	生效日期：	框架供應及加工協議於簽訂當日生效。
Annual Capacity:	Annual cap for each of the periods a) commencing from the effective date of the Framework Supply and Processing Agreement to 31 December 2017: RMB239.8 million; b) 1 January 2018 to 31 December 2018: RMB240 million.	年度上限：	各期間的年度上限 a) 自框架供應及加工協議生效日期起至二零一七年十二月三十一日止：人民幣239.8百萬元； b) 自二零一八年一月一日起至二零一八年十二月三十一日止：人民幣240百萬元。

Details of the Framework Supply and Processing Agreement, please refers to the Company’s announcement dated 16 June 2017, 4 August 2017 and 28 November 2017.

框架供應及加工協議的詳情請參閱本公司日期為二零一七年六月十六日、二零一七年八月四日及二零一七年十一月二十八日的公告。

The aggregate supply of milk products to Inner Mongolia Mengniu Group for the year ended 31 December 2017 amounted to RMB 239,307,000.

截至二零一七年十二月三十一日止年度向內蒙古蒙牛集團供應乳製品總額為人民幣239,307,000元。

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 the Listing Rules with effect from 21 May 2013. As Inner Mongolia Mengniu is a non-wholly owned subsidiary of Mengniu, it also became a connected person of the Company pursuant to the Listing Rules with effect from 21 May 2013. As a result, the transactions contemplated under the Off-Take Agreement and the Framework Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules with effect from 21 May 2013. Mengniu further increase its stake in the Company. As at the date of this report, Mengniu holds 60.76% of the issued share capital of the Company.

於二零一三年五月二十一日，蒙牛於本公司的股權增至10%或以上，表示蒙牛成為本公司的主要股東，故根據上市規則，由二零一三年五月二十一日起，其乃為本公司的關連人士。由於內蒙古蒙牛乃蒙牛的非全資附屬公司，故根據上市規則，由二零一三年五月二十一日起，其亦成為本公司的關連人士。因此，根據上市規則第十四A章，由二零一三年五月二十一日起，承購供應協議及框架供應協議項下擬進行的交易構成本公司的持續關連交易。蒙牛進一步增加其於本公司的持股量。於本報告日期，蒙牛持有本公司已發行股本60.76%。



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The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions 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.

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Board engaged the auditor of the Company to report the Group’s continuing connected transactions 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 auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the page above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to Hong Kong Stock Exchange.

Save as disclosed above, there are no other connected transactions of the Company that are subjected to be reported in the annual report in accordance with the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react changes in dairy product quality, food safety, production, animal disease, market developments and financial risks. The Audit Committee reviews risk-related policies and scrutinizes that management has performed its duty to have effective risk management and internal control systems necessary for monitoring and controlling risks arising from the Group’s business activities, changing external risks and regulatory environment, and report to the Board on the above.

獨立非執行董事已審閱上述持續關連交易並確認上述的持續關連交易已於下列情況下訂立：

1. 屬於本集團之一般及日常業務；
2. 按正常商業條款，或不遜於獨立第三方所給予條款進行；及
3. 根據有關交易之協議進行，而交易條款公平合理，及符合本公司股東整體利益。

根據香港聯合交易所有限公司證券上市規則（「上市規則」）第14A.56條，董事會已委聘本公司核數師按照香港審驗應聘準則3000「歷史財務資料審計或審閱以外的審驗應聘」及參照香港會計師公會頒佈之實務說明第740號「關於香港上市規則所述持續關連交易的核數師函件」匯報本集團之持續關連交易。核數師已按照上市規則第14A.56條刊發其載有本集團於上述頁數所披露持續關連交易之審驗結果之無保留意見函件。本公司已將核數師函件副本呈交香港聯交所。

除上文所披露者外，本公司概無其他關連交易須根據上市規則在年報內作出呈報。

主要風險及不確定因素

本集團採用全面風險管理框架。風險管理政策及程序獲定期檢討並更新以應對乳品質量、食品安全、生產、動物疾病、市場開發及財務風險變動。審核委員會檢討風險相關政策及仔細檢查管理層是否已履行其職責，設立對監控及控制本集團業務活動、外部風險及監管環境變動產生的風險而言屬必要的風險管理及內部監控制度，並向董事會就上述情況作出報告。



Report of the Directors 董事會報告書

Strategic Risks

The Directors maintain a strategic plan based on the knowledge on the dairy industry. The Group will invest in good grass plantation, good dairy cows, quality milk production and promotion of integrated operation that based on the strategic plan in order to cope with the market demand and expectation. The Group will closely review and monitor its short and long-term strategies and strives for the best interests to its shareholders.

Operational Risks

Operational risk is concerned with possible losses caused by failure of internal processes, people, system or external events, such risk is mitigated by and controlled by establishing sound internal control, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting. Management regularly reviews the Group's operations to ensure that the Group's risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

Financial Risks

The principal financial risks are set out in Note 35 and 36 to the consolidated financial statements headed "Capital Risk Management" and "Financial Instrument".

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Mr. Lee Kong Wai, Conway and Mr. Kang Yan and one non-executive Director, Mr. WOLHARDT Julian Juul. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed the risk management and internal control systems and financial reporting matters including the review of the audited results for the year ended 31 December 2017.

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.

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 Listing Rules.

策略風險

董事根據乳品行業知識維持策略計劃。本集團將投資優質草場、奶牛、乳製品及根據策略計劃推進綜合化經營以滿足市場需求及預期。本集團將密切檢討及監控短長期策略並致力為股東帶來最佳利益。

營運風險

營運風險與內部程序失效、人員、制度或外部事項造成的可能損失，此風險透過建立健全的內部監控、明確責任範圍、適當的職責分離及有效的內部報告予以降低及控制。管理層定期檢討本集團營運以確保本集團虧損（不論是財務或其他方面）、欺詐所導致、錯誤、疏忽或其他營運及合規事宜的風險得到充分管理。

財務風險

主要財務風險載於綜合財務報表附註35「資本風險管理」及36「金融工具」。

審核委員會

審核委員會由兩名獨立非執行董事李港衛先生及康龔先生以及一名非執行董事WOLHARDT Julian Juul先生組成。審核委員會已與管理層審閱本公司採納的會計政策及慣例，並與討論了風險管理及內部監控制度及財務報告事宜，包括審閱截至二零一七年十二月三十一日止年度的經審核業績。

優先購買權

組織章程細則或開曼群島法律並無任何優先購買權條文，規定本公司須按比例向現有股東提呈發售新股份。

公眾持股量

根據本公司獲得的公開資料及據董事所知悉，於本年報日期，本公司一直維持上市規則內所指定之公眾持股量。



Report of the Directors 董事會報告書

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after 31 December 2017 of the Group are set out in Note 46 to the consolidated financial statements.

AUDITORS

The financial statements for the years ended 31 December 2017 and 2016 were audited by Deloitte Touche Tohmatsu.

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

On behalf of the Board

LU Minfang

Chairman

Hong Kong, 26 March 2018

報告期後事項

本集團於二零一七年十二月三十一日後發生的重大事項載於綜合財務報表附註46。

核數師

截至二零一七年及二零一六年十二月三十一日止年度的財務報表由德勤•關黃陳方會計師行審核。

德勤•關黃陳方會計師行將退任本公司核數師職務並符合資格願意膺選連任。於應屆股東週年大會上將提呈續聘德勤•關黃陳方會計師行為本公司核數師的決議案。

代表董事會

主席

盧敏放

香港，二零一八年三月二十六日



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

環境、社會及管治報告

1 RESPONSIBILITY MANAGEMENT

1.1 Compliance Operation

China Modern Dairy Holdings Ltd (the “Company” or “Modern Dairy”) and Modern Farming (Group) Co., Ltd (“Modern Farming” together with subsidiaries, the “Group”), abides by the Company Law and other national laws and regulations as well as various regulatory requirements in both Hong Kong and mainland China, establishes a relatively complete internal management system, formulates a rigorous work flow to ensure compliance and orderly business operations.

The Group fully implements the requirements of strict governance for enterprises, abides by the national laws and regulations, such as the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不當競爭法》), Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), adheres to the principle of law, conscientiously implements the fundamental work systems, regulations and measures based on honesty and integrity, conducts research on self-disciplinary and self-awareness, issues work instructions on clean governance, etc., constantly strengthens the management’s awareness of leading all Group’s systems, establishes an outstanding and honest working culture within the corporate. In the meantime, the Group utilizes the typical cases of the nation and enterprises in combination with videos to systematically, comprehensively and continuously carry out education on corporate culture and professional ethics for management personnel of all units. The Group has set up a monitoring mechanism, offering a smooth complaint and reporting pipeline to fully accept and investigate all reports made by the people, so that all reports will be handled, investigated, led to results, and led to penalties.

During the reporting period, the Group was not involved in any corruption cases.

1.2 Sustainability

With the issuance of the “No.1 Document” by the central government in 2017, China’s agricultural supply-side structural reform has also entered a period of deep implementation. The Ministry of Agriculture has also deployed the “Top Five Actions” to revitalize the modern milk industry, namely “planting good grass”, “breeding good cow”, “producing good milk”, “establishing brands” and “telling a good dairy story” to speed up the development of modern farming industry.

1 責任管理

1.1 合規運營

中國現代牧業控股有限公司(「公司」或「現代牧業」)及現代牧業(集團)有限公司(「現代牧業(集團)」，連同附屬公司統稱「集團」)遵守《公司法》等國家法律法規及香港及中國內地的各項監管規定，建立較為完善的內部管理體系，制定嚴謹的工作流程，確保企業運營合規有序。

集團落實全面從嚴治企的要求，遵守《中華人民共和國反不當競爭法》、《關於禁止商業賄賂行為的暫行規定》等國家法律法規，堅持以法律為準繩，認真貫徹關於廉政建設的基本工作制度、條例、辦法，開展自律意識調研、發佈廉政工作指示等，不斷強化集團管理人員帶頭執行集團各項制度的意識，樹立企業優良、廉潔的工作作風。同時，集團利用國家及企業典型案例與視頻相結合的方法，對各單位主管以上人員系統、全面、持續的進行企業文化以及職業道德教育。集團建立監督機制，暢通投訴舉報渠道，全面受理、調查群眾的各項舉報，做到有報必接，有接必查，有查必果，有果必處。

報告期內，集團未發生貪污腐敗司法案件。

1.2 可持續發展

隨著2017年中央「一號文件」的發佈，中國農業供給側結構性改革也進入了深度執行期。農業部研究部署了奶業振興「五大行動」—「種好草」、「養好牛」、「產好奶」、「創品牌」、「講好奶業故事」，以加快推進現代奶業建設。



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Under the macroscopic background of rapid development and significant advancement of dairy industry in China, as a leader in dairy industry in China, Modern Farming continues to explore based on an advanced model, adheres to the concept of green development by implementing the internal management strategy of “lowering costs, reducing production capacity”, strengthening the management of sustainability, proactively implementing corporate social responsibility, while continuously improving the environmental and social benefits of the Group, establishing the image of large corporate and realizing the value of the Group.

在中國奶業高速發展、大步邁進的宏觀背景下，作為中國奶業引領者，現代牧業(集團)努力在打造先進模式上不斷探索，堅持綠色發展理念，實施「降成本，去產能」的內部管理策略，加強可持續發展管理，在積極履行公司社會責任的同時，不斷提高集團環境效益和社會效益，樹立大企業形象，實現集團價值。

<p>Long-term vision</p> <p>遠景目標</p>	<ul style="list-style-type: none"> • Building the world's most advanced farm, producing world's best milk, achieving harmonious development between humans, cows and nature • Realizing the goal of “world-class scale, international brand, sustainable industry”, becoming the leader of “Integration of Intensive Farming and Processing” • 創建世界最先進的牧場、生產世界最優質的牛奶、實現天地人畜和諧發展 • 實現「規模世界級、品牌國際化、產業可持續」的目標，成為「集約化養殖加工一體化」的全球行業引領者
<p>Corporate responsibility</p> <p>企業責任</p>	<ul style="list-style-type: none"> • “Digitized standards, visible quality” requiring ourselves to be supervised every day • Leading the industry change of “intensive farming and processing integration”, which is a big burden, but also a great responsibility. • 「數字化的標準、看得見品質」要求自己，天天接受監督 • 引領行業「集約化養殖與加工一體化」的變革，這是一種大擔當、更是一種大責任。
<p>Corporate mission</p> <p>企業宗旨</p>	<ul style="list-style-type: none"> • Scientific farming, well-treated cows, producing the world's top-quality milk • Applying the industry's advanced management facilities and technology to provide the most trusted source of safe milk • 科學養殖，善待奶牛，生產世界最優質牛奶 • 應用行業先進的管理設施和技術，提供最值得信賴的安全奶源
<p>Management mindset</p> <p>管理理念</p>	<ul style="list-style-type: none"> • Milk source is milk quality's first line of defense • Visible quality with digitized standards to ensure every drop of milk is fresh • 奶源是牛奶品質的第一道防線 • 看的見品質，數字化的標準，確保每一滴奶都新鮮



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Marketing philosophy

市場理念

- Pure: From the cow's nipple to the mouth of the people, "zero additives" guaranteed to the pure product
- True: Talk the honest, do the earnest, providing the product's most truthful information to consumers
- Fresh: The lower the microbial indicators of milk, the fresher the milk is, quantitative standards of Modern Dairy is visible freshness.
- Living: Milk from the cow's nipple to the processing in shorter time is more living, Modern Dairy takes only two hours to complete the entire process
- 純：從奶牛的乳頭到百姓的口頭確保「零添加」，做到產品始終如一
- 真：說實話、辦實事，把產品最真實的信息告訴消費者
- 鮮：牛奶的微生物指標越低越新鮮，現代牧業量化的標準才是看得見的鮮
- 活：牛奶從乳頭到加工耗時越短越活，現代牧業只用兩小時完成全過程

2 HIGH STANDARD – PROTECTING THE COW-CENTERED MILK SOURCE

With the goal of "creating the most advanced farm and producing top-quality milk", the Company performs stringent gatekeeping on careful breeding, scientific feeding, epidemic prevention, etc., focusing on the healthy, safety and comfortable aspect to each stage of cows to ensure a high-quality milk source.

2 高標準—「以牛為本」守奶源

公司以「創建最先進的牧場，生產最優質的牛奶」為目標，從精心培育、科學飼養、安全防疫等方面嚴格把關，關注奶牛各生長階段的健康、安全與舒適，確保高品質奶源。



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2.1 Devoting to Cow Breeding

The Company has formulated the “Compilation of Calf Breeding Core System” (《犏牛飼養中心制度匯編》) to regulate the training program of calves. The Company has set up a file for each calf before it is born in order to keep a record of its breeding and management throughout its “lifespan”. After its birth, the Company will ensure the calf’s growth and development properly in respect of delivery room management, colostrum management, mature milk (常乳) management, etc.

The Company attentively considers and builds up a comfortable and safe environment for delivery from different perspectives, strictly regulates the delivery management operation, and set up the temporary stored areas for the new born calves, to guarantee a smooth delivery.

As the calves can only have breast milk for a certain period of time after its birth, the Company refines breast milk into colostrum and mature milk to ensure the safety and health of breast milk. Colostrum focuses on the brix of the emulsion to ensure adequate nutrition for the new born calves, while mature milk emphasizes on controlling daily intake and feeding interval to ensure the healthy development and growth of calves.

At the same time, the Company set up detailed requirements on the calves’s diet after lactation, and make planning for the quality, temperature, cleanliness and nutrition of the diet to ensure the smooth transition of the calves’s lactation.

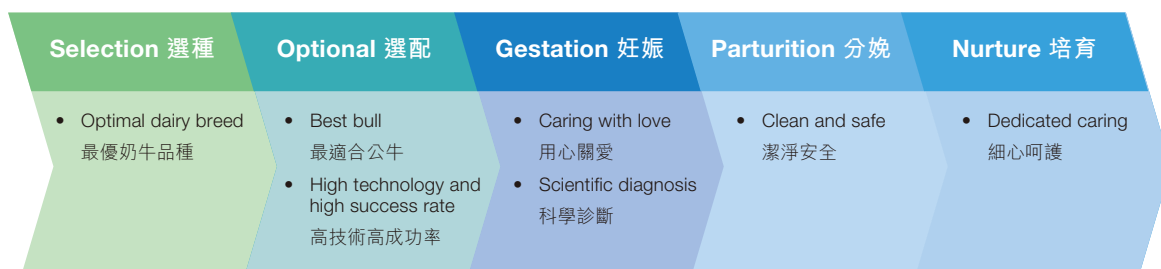
2.1 精心培育

公司制定《犏牛飼養中心制度匯編》規範犏牛的培育程序。犏牛出生前，公司開始對牛建立檔案，以便記錄對其「一生」的培育與管理；犏牛出生後，公司從產房管理、初乳管理、常乳管理等方面保證犏牛良好的生長發育。

公司多維度考量、精心打造舒適安全的分娩環境，嚴格規範接產管理操作，並設置新生犏牛暫放區，保證分娩的順利完成。

犏牛出生的一段時間內只能進食母乳，為確保母乳的安全健康，公司將母乳細化為初乳和常乳，初乳關注乳液的白利度，以確保新生犏牛可獲得充足的營養，常乳則重點掌控每日進食量和進食間隔，確保犏牛健康發育、茁壯成長。

同時，公司針對犏牛脫離哺乳期後的飲食做出了細緻的規定，從飲食的質量、溫度、清潔情況、營養情況等方面進行計劃，保證犏牛哺乳期的順利過渡。



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2.2 Conducting Scientific Breeding

With a strong emphasis on the health management of cows, the Company establishes and improves a comprehensive and strict system of health breeding management system for cows to provide high-quality accommodation for cows, selects high-quality feeds, to ensure the healthy growth of cows.

Providing high-quality environment

With a strong emphasis on the management of comfortability of cows, the Company has high requirement on the design and management of the cow-houses in order to ensure safe and clean accommodation conditions for cows at the farms with high breeding density.

2.2 科學飼養

公司高度重視奶牛的健康管理，建立並完善全面、嚴格的健康飼養管理體系，為奶牛提供優質的住宿環境、甄選高品質飼料，保障奶牛的健康成長。

提供優質環境

公司重視對牛群的舒適度管理，為了讓牛在養殖密度集中的牧場中依然享有安全、乾淨的住宿條件，公司多管齊下，對牛舍的設計與管理提出高要求。

<p>Construction of cow-houses</p> <p>牛舍建設</p>	<ul style="list-style-type: none"> • Individually feeding: Outdoor islands for calves, indoor houses for calves • Herd farming: Different materials are selected according to the temperature, environment and waste material processing capacity of each farm • 單欄飼養：室外犢牛島、室內犢牛欄 • 群養模式：各牧場根據氣溫環境、廢舊墊料處理能力選擇不同墊料
<p>Bedding comfortability</p> <p>臥床舒適度</p>	<ul style="list-style-type: none"> • Bedding materials: the appropriate selection of types and thicknesses of materials before and after weaning • 臥床墊料：針對斷奶前後分別選用合適墊料種類及厚度
<p>Ventilation and coprodeum</p> <p>通風與糞道</p>	<ul style="list-style-type: none"> • Ventilation and air exchanges: Reduce ammonia concentration in the cow-houses to reduce the incidence of respiratory diseases • Coprodeum bedding: clean up the coprodeum timely to reduce microbial growth and prevent the incidence of digestive diseases • 通風換氣：降低牛舍內氨氣濃度，減少呼吸道疾病發病 • 糞道臥床：及時清理糞道臥床，減少微生物滋生，減少消化道疾病發病
<p>Preventive services and cure</p> <p>疾病預防與治療</p>	<ul style="list-style-type: none"> • Sterilize the beddings of cows, and wash and dry milk tanks timely • 對奶牛臥床進行消毒，及時洗曬奶桶



Selecting high-quality feed

The Company has formulated strict quality control policies for feed, established a complete feed quality control system, which covering nine systems including sensory testing, and capacity and weight testing. It strictly controls various aspects from raw material procurement to cows feed to ensure the quality and nutritional standards of feed.

- **Raw material quality control**
The Company has formulated corresponding standards according to the quality control of different feed ingredients, established a strict feed selection and control mechanism, stipulated and explained various admission control and management standards, guided relevant personnel to enhance the ability of monitoring and controlling, and accurately identified unqualified products to ensure the high quality of raw materials.

At the same time, the Company strictly controls raw materials suppliers of feed, giving priority to select suppliers with stable quality and the ability of conducting inspection, or quality control system to be certified by third parties as our partners.

- **Feed allocation and processing**
To meet the nutritional needs of cows in different stages, the Company uses the world's most advanced cows formula software, CPM-Dairy, to classify such feed formula according to their physiological nutritional needs, reproduction performance, lactation pattern and specific physiology, and adjust the nutritional composition of the formula according to the actual conditions of cows.

甄選高質飼料

公司制定嚴格的飼料質量管理政策，建立完善的飼料質量管理體系，涵蓋感官檢測、容重檢測等九項制度，對原料採購至飼喂奶牛的各個環節嚴格把控，保障飼料的質量與營養水平。

- **原料質量控制**
公司根據不同飼料原料的質量控制制定了相應標準，建立了嚴格的飼料篩選、控制機制，對多項入場控制、管理標準進行了規定與說明，指引相關人員加大監控力度，更加精確的識別不合格品，以確保原料的高品質。

同時，公司嚴格把關飼料原料供應商，優先選擇質量穩定、具備出場檢驗能力，或質量管理體系得到第三方認證的供應商作為合作夥伴。

- **飼料調配與加工**
為滿足不同階段奶牛的營養需求，公司使用世界先進的奶牛配方軟件(CPM-Dairy)，結合奶牛的生長生理營養需求、生產性能、泌乳規律及特定生理對配方進行分類，並根據牛群的實際情況，對配方營養成分進行調整。



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- Feed delivery and storage

In order to ensure the high quality and extend the shelf life of feed, after completion of feed production, the Company screened feed repeatedly in the feeding process, and focused on the management of the storage environment.

The farm combined with the formula of lactation cows, and based on the proportions of each raw material in the formula and the ingredients of the raw materials themselves, to identify substance in the raw materials, which are easy to get moldy, as the key monitoring subject, so as to identify and handle the faulty feeds on a timely manner to prevent cows from eating, and hence, affecting their health.

In order to timely understand the quality of the feed in the process of storage and identify the storage problems, the farm conducts key inspections against the inventory of feed on a daily basis. If any feed is identified as unqualified during the inspection process, the nutrition center will issue their opinion based on the result of the inspection. Once an indicator is shown abnormal, we will stop using the feed immediately.

2.3 Safety and Epidemic Prevention

The Company strictly abides by the laws and regulations under the Animal Epidemic Prevention Law of the China (《中華人民共和國動物防疫法》), the Animal Husbandry Law of the China (《中華人民共和國畜牧法》), and the Administration and Measures of Animal Quarantine (《動物檢疫管理辦法》). Following the principles of “prevention comes first, and to prevent is more important than to cure”, we implement the management concept of “cow-centered safety first, epidemic prevention is important, the environment is safeguarded” to conduct epidemic prevention and ensure the safety and health of cows.

- 飼料投放與倉儲

飼料製作完成後，為保證其高品質、延長飼料保質期，公司在投放飼喂過程中反復篩查，並注重對倉儲環境的管理。

牧場每日結合泌乳牛配方，根據各原料在配方中的佔比以及原料自身成分，將其中易發黴變質的原料作為重點監控對象，及時發現、處理發黴變質飼料，避免奶牛誤食影響健康。

為及時掌握飼料在倉儲過程中的質量情況、發現倉儲問題，牧場每日對庫存重點飼料進行複查。若飼料在複查過程中被鑒定為不合格飼料，根據複查結果由營養中心出具使用意見，一旦發現指標異常，立即停止使用。

2.3 安全防疫

公司嚴格遵守《中國人民共和國動物防疫法》、《中華人民共和國畜牧法》和《動物檢疫管理辦法》的法律法規要求，本著「預防為主，防重於治」的原則，貫徹「以牛為本，安全第一，防疫重要，環境確保」的管理理念，進行牧場防疫工作，保障奶牛安全與健康。



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Management of health assessment

Combining years of experience in cow farming, the Company has formulated an easy-to-operate program of health assessment plan to regularly assess the health of cows through the observation and inspection of cows' facial features, body temperature, excrement, etc., and to initially determine treatment program for the sick cows based on the assessment results. The health assessment program not only enhances the health management of cows, but also provides detailed and convenient management guidelines for grass-root breeders.

Enhancing the control of epidemic

The Company strictly manages the environment of the farms, emphasizes on disease prevention of cows, formulates and improves the systems including the Administrative Systems on Epidemic Prevention (《防疫防護管理制度》) and the Administrative System for Staff Protection (《人員防護管理制度》), to refine the entry-exit management of farm, the epidemic prevention management at production areas, standard clothing and personnel management. We quarterly arrange the body check-up for breeders to prevent cross-infection between humans and animals.

The Company has formulated the plans for immunization and quarantine, and regular health care for cows. In addition to daily routines on disease treatment and hoof trimming, we regularly conduct vaccinations and regular physical examination for cows. In the case of sudden outbreak of epidemic, the Company will strengthen its management, prevention, and control on epidemic prevention of animals, eliminate animal epidemics and safeguard public health.

During the reporting period, the coverage rate of vaccination against foot-and-mouth disease for cows was 100%.

健康評級管理

公司結合多年奶牛飼養經驗，制定了易於操作的健康評分方案，通過對奶牛五官、體溫、排泄物等方面的觀察與測定，定期對奶牛進行健康評分，並以評分結果為依據初步確定患病奶牛的治療方案。健康評分方案不僅加強了奶牛的健康管理，也為基層飼養人員提供了詳細便捷的管理指南。

加強疫病管控

公司嚴格管理牧場環境，重視奶牛疫病預防，制定並完善《防疫防護管理制度》、《人員防護管理制度》等制度，細化牧場出入管理、生產區防疫防護管理、標準著裝以及人事管理，每季度安排飼養員體檢，預防人畜疫病的交叉感染。

公司為奶牛制定免疫檢疫計劃和常規健康檢查計劃，除有關疾病治療、修蹄保健的日常工作外，定期為牛只進行疫苗接種和常規體檢。若遇突發疫情的情況，公司會加強對動物防疫活動的管理，預防、控制，撲滅動物疫病，維護公共衛生安全。

報告期內，奶牛口蹄疫接種覆蓋率為100%。



Appropriate disposal of culled cows

In order to control the culling rate of cows, the Company has formulated the Administrative Measures on Cull and Dead Cows (《牛只淘汰及死亡管理辦法》) and the Standards on Determination of Culled Cows (《淘汰牛只判定標準》), to regulate the use and management of approval form on culled cows and the guarantee bills to culled cows, to enhance the supervision to the culling of cows. The Company divides the culling into fragmented culling and collective culling, and propose a declaration plan in accordance with the procedures to cows culling. For the culling cows which have passed the physical examination and have passed the quarantine with the local animal husbandry, they will be sold through bidding. For the cows died from diseases or with unknown death cause, under no circumstances will they be sold, transported, processed and eaten, and they will be treated at no harm.

恰當處置淘汰牛

為控制牛只死淘率，公司制定《牛只淘汰及死亡管理辦法》、《淘汰牛只判定標準》，規範淘汰牛審批表和淘汰牛檢疫票據的使用和管理，加強對淘汰牛工作的監督力度。公司將淘汰分為零散淘汰及批量淘汰，並按照牛只淘汰流程提出淘汰申報計劃。對於體況檢測合格的淘汰牛，且經當地畜牧局檢疫合格後，公司對其進行招標出售；對病死牛或死因不明牛，公司做到堅決不買賣、不運輸、不加工、不食用，並對其進行無害化處理。

3 HIGH QUALITY – TASTE OUR DISTINCTIVE MILK

As the largest dairy farming enterprise and a supplier of high-quality raw milk in China, Modern Dairy adheres to the philosophy of “future standard for today’s dairy industry, and to become a global leader in industrial integration”, links its advanced technology, first-grade management level, high quality milk source together, to optimize management system and professional level, to maintain the nutritious ingredients and active substances in the milk as much as possible, and to provide delicious, nutritious and healthy, distinctive milk for our customers, and to continuously enhance the competitiveness of products to improve its position in the international industry on behalf of dairy industry in China.

3 高品質 – 「純真鮮活」享好奶

作為國內規模最大的奶牛養殖企業及高品質生乳供應商，現代牧業堅持「用未來標準做今天的乳業，做產業一體化全球引領者」的理念，將先進的技術、一流的管理水平、高質量的奶源三者相結合，優化管理體系和專業水平，最大程度上保留牛奶中的營養成分和活性物質，為消費者提供口感上佳、營養健康、純真鮮活的乳製品，不斷提高產品競爭力，代表中國奶業，提高在國際行業中的地位。



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3.1 Pure – Assurance of Delicate Taste

In order to ensure that our dairy products are healthy, the Company is in strict compliance with relevant laws and regulations of food safety, such as the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products (《乳品質量安全監督管理例條》), and has set up nearly 500 standards on the planting, breeding, and processing, and has established a sound management and supervision system to regularly review the suppliers. In the process of production of raw milk and branded milk, the operations are strictly in accordance with the production standards and controls, and all parts in all branded milk production are controlled and supervised.

The Company achieves efficient production through “integrated” mode and “2-hour” production line, cherishing the active substances in the milk, ensuring that all of our products under “精品家族” have met the international advanced level to provide consumers with “zero additive” products, and enjoy the pure substance of milk in a safe and healthy way.

3.2 True – Assurance of Care

The Company adheres to the service philosophy of “tell the truth and do the deeds” by relying on the quality of the products themselves to build a real, reliable, responsible and good corporate image.

In order to safeguard the authenticity of the product information conveyed to the consumers, and ensure the timely communication and exchange with the consumers on product information, the Company has established, and continuously improves, the publicity channels and after-sale service system. The Company has created Modern Dairy's official website and the WeChat account of “現代牧業” to timely show the new trends of milk products for consumers; proactively conducts research on consumers' satisfaction, and actively understands their demand for our dairy products by the consumers, and makes specific improvements.

The Company has formulated the Administrative Measures of Product Complaint and Inventory Replenishment (《產品投訴補貨管理辦法》), and strictly follows such administrative measures upon receiving complaints from consumers about our products and services.

3.1 純 • 致享受

公司嚴格遵守《中華人民共和國食品安全法》、《乳品質量安全監督管理例條》等食品安全相關法律法規，在種植端、養殖端、加工端共設立了近500條標準，建立了完善的管理與監督體系，定期對供應商進行審查以保證奶產品的食用健康。在原奶、品牌奶生產過程中嚴格按照生產標準進行操作，對所有品牌奶生產的全部環節進行把控與監督。

公司通過「一體化」模式與「2小時」生產線實現高效生產，珍存牛奶中活性物質，保證「精品家族」的所有產品指標達到國際先進水平，為消費者奉上「零添加」產品，安全、健康的享受到牛奶純真本質。

3.2 真 • 愛客戶

公司堅守「說真話、辦實事」的服務理念，依靠產品本身品質，樹立真實、可靠、負責任的良好企業形象。

為保障向消費者傳達的產品信息的真實性，並與消費者對於產品信息進行及時的溝通與交流，公司建立並不斷完善宣傳渠道與售後服務體系。公司創建現代牧業官方網站與「現代牧業」微信公眾號，及時為消費者展現奶產品新動態；積極開展消費者滿意度調查，主動瞭解消費者對奶產品的需求，並進行針對性改善。

公司制定《產品投訴補貨管理辦法》，在接到消費者關於產品及服務的投訴時嚴格遵照管理辦法進行處理。



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The Company pays great attention to the privacy protection of consumers. In the process of communicating with customers, consumers' information are strictly kept confidential to prevent adverse consequences incurred for consumers due to privacy leaks.

公司注重消費者的隱私保護，在與客戶溝通交流的過程中，對於消費者信息進行嚴格保密，杜絕因隱私泄露等為消費者招致不良後果的事情發生。

3.3 Fresh – Assurance of Quality

The Company has developed strict quality control policies for the process of production of raw milk and branded milk, and established a quality control system throughout the entire process. The Company always adheres to the management philosophy of “visible quality, digitalized standards, and ensuring the freshness of every drop of milk (看的見品質，數位化的標準，確保每一滴奶都新鮮)” to ensure that high requirements for milk products quality provides consumers with nutritious and healthy milk.

3.3 鮮·美品質

公司對原奶和品牌奶的生產過程分別制定嚴格的質量管控政策，建立全程質量監控體系，始終堅持「看的見品質，數位化的標準，確保每一滴奶都新鮮」的管理理念，保證對奶產品質量的要求，為消費者提供營養豐富的健康牛奶。

Raw milk quality control

The Company provides good raw milk for a number of dairy product enterprises. When producing its own branded dairy products, the Company also fully utilizes its self-produced raw milk produced from its own farms. In its own regulated farms, the daily living of cows are carefully taken care of by professional staff. Information system is used to monitor the real-time growth condition of the cows and their milk production, such that all parts along production process of milking, refrigeration and processing of raw milk are completed under the monitoring facilities. While ensuring the quality of raw milk products, it will further provide protection for the quality and safety of its own branded milk.

原奶質量管控

公司為多家奶制品企業提供優質原奶，同時在生產自有品牌奶產品時也完全利用在自有畜牧場中生產的自產原奶。在自有規模化牧場裏，由專業人員精心照料奶牛的起居生活，利用信息化系統實時監控奶牛生長體況和產奶量，使原奶在擠奶、製冷及加工的生產過程各個環節都處於監控措施下完成，在保障原奶產品質量的同時，進一步為品牌奶的質量安全提供保障。

<p>Production</p> <p>生產</p>	<ul style="list-style-type: none"> Formulating the Administrative System for Production Processes by Milking Department (《擠奶部門生產流程管理制度》) to establish strict quality standards for raw milk and quality control inspection system, regulate the process of milking, the milking parlor equipments cleansing, etc., ensuring the quality and safety of the raw milk products during the production process. 制定《擠奶部門生產流程管理制度》，建立嚴格的原奶質量標準及質量控制檢測體系，規範擠奶操作、奶廳設備清洗等流程，保證生產過程中原奶奶品的質量安全。
<p>Transportation</p> <p>運輸</p>	<ul style="list-style-type: none"> Checking the passing rate of cleanliness of the milk truck before unloading and loading the milk to make sure that the milk truck is clean. 對卸奶、裝奶前的奶車清潔程度分別進行合格率檢測，保證奶車清潔。



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<p>Sales</p> <p>銷售</p>	<ul style="list-style-type: none"> Formulating the Sales Management System of Raw Milk (《原奶銷售管理制度》) and the Handling Process of Raw Milk Rejection (《拒收原奶處理流程》) to maintain the stability of the sales of raw milk by projecting the balanced output, such that the sales of each farm will be balanced. Conducting quality control inspection before the raw milk leaving the factory and being delivered to the customer's plant. 制定《原奶銷售管理制度》及《拒收原奶處理流程》，通過預測平衡產量，使原奶銷售持續穩定，各單位產銷比例平衡。 在原奶出廠前、進入客戶工廠前，分別進行品控檢測。
<p>Recycling</p> <p>回收</p>	<ul style="list-style-type: none"> Processing the raw milk products that have not met the Company's internal benchmark according to the inspection results, and directly disposing the products that have serious problems and proceeding with harmless treatment. The products with general problems are used to feed calves in farms or to be sent to the spraying powder plant with spraying powder treatment. 將不符合公司內部指標的原奶產品根據檢驗結果進行處理，將出現嚴重問題的產品直接排地並進行無害化處理，將存在一般問題的產品用於牧場飼喂犢牛或發往噴粉廠進行噴粉處理。

During the reporting period, the relevant items subject to inspection in terms of toxin, residue of veterinary drugs, drug residue and contaminants in raw milk were passed. No accidents in respect of quality and safety of raw milk were occurred during the year. The rejection rate of raw milk was only 0.33%

報告期內，原奶毒素、獸殘、藥殘、污染物相關檢測項目全部合格，全年未有原奶質量安全事故發生，原奶拒收率僅0.33%。

Items 項目	Micro-organisms 微生物 (cfu/ml)	Somatic cells 體細胞	Protein (%) 蛋白質(%)	Fat (%) 脂肪(%)
National standard 國家標準	≤2,000,000 ≤200萬	/	≥2.8	≥3.1
EU standard 歐盟標準	≤100,000 ≤10萬	≤400,000 ≤40萬	/	/
Quality of raw milk of Modern Dairy 現代牧業原奶質量	0.59 ten thousand 0.59萬	17.98 ten thousand 17.98萬	3.38	3.75

Quality control of branded milk

The Company has formulated a number of internal systems including the "Administrative System of Raw Materials" (《原料管理制度》), the "Administrative System of Auxiliary Materials" (《輔料管理制度》), the "Quality Standard of Raw Material at Room Temperature" (《常溫原料品質標準》), the "Standard of Using Sterilized Raw and Finished Products" (《滅菌乳原奶、成品使

品牌奶質量管控

公司制定《原料管理制度》、《輔料管理制度》、《常溫原料質量標準》、《滅菌乳原奶、成品使用標準》、《「2小時」巴氏殺菌乳產品標準化文件》、《成本管理制度》、《低溫產品運輸制度》等多項內部制度，對品牌奶從材料接收到送至消費者手中的全部過程進行規範，



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用標準》), the “Standardized Document of “2-Hour” Pasteurized Milk Products” (《“2小時”巴氏殺菌乳產品標準化檔》), the “Cost Management System” (《成本管理制度》), the “Transportation System of Low-temperature Products” (《低溫產品運輸制度》) to regulate the entire process from receipt of the materials of branded milk to delivery to consumers, and conducted assessment and control of the operating costs, to ensure that, subject to quality, hygiene and safety of each production stage, consumers are provided with affordable and good dairy products.

並對操作成本進行考核及控制，在保證每一生產環節的質量、衛生與安全的前提下，為消費者提供物美價廉的奶產品。

<p>Receipt of materials</p> <p>材料接收</p>	<p>According to the relevant systems including “Management System of Raw Materials”, we strictly regulate the quality standards of raw milk, raw materials and auxiliary materials, strengthen the monitoring and supervision efforts, and accept only the raw materials that have met the quality standards.</p> <p>根據《原料管理制度》等相關制度，對於原奶、原料、輔料的質量標準進行嚴格規定，並加強監督力度，只接收使用質量達標的原材料。</p>
<p>Production</p> <p>生產</p>	<p>Conducting standardized requirements for the operations in respect of the placing and use of materials, the use of equipment, and sanitation during the production process.</p> <p>對於生產過程中的材料放置及使用、設備使用、衛生消毒等方面的操作進行標準化規定。</p>
<p>Package</p> <p>包裝</p>	<p>Conducting system regulation for the placing and use of packaging materials, the preservation of remaining materials and processing, in order to avoid polluting the products by the improper packaging and wasting unnecessary redundant materials of packaging.</p> <p>對於包裝材料的放置、使用、餘料保存與處理過程等方面進行制度規定，避免因包裝處理操作不當污染產品，浪費不必要的包裝餘料。</p>
<p>Transportation</p> <p>運輸</p>	<p>Adhering to the Transportation System of Low-temperature Products (《低溫產品運輸制度》), and setting up requirements in respect of basic facilities, loading and unloading, protection, transportation and operations of vehicles.</p> <p>遵守《低溫產品運輸制度》，對於車輛基礎設施、裝卸、防護、運輸操作等方面進行規定。</p>
<p>Sales</p> <p>銷售</p>	<p>Actively accepting customers’ after-sales feedback. If feedbacks in relation to quality are received, the reasons will be identified in a timely manner, handled and improved.</p> <p>積極接受消費者售後反饋，若接到質量反饋問題，及時查找原因、進行處理及改進。</p>
<p>Recycle</p> <p>回收</p>	<p>Following the “Management Procedures for Unqualified Products” (《不合格品管理程序》) to deal with unqualified products.</p> <p>依從《不合格品管理程序》，對不合格品進行處理。</p>



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3.4 Living – Assurance of Health

For milk, the shorter the processing time, the more beneficial to retain the active ingredients in milk. In order to provide consumers with nutritious milk products that retains the maximum level of active substance, the Company implements and continuously improves the “integration” model and the “2-hour” production line to complete the entire production process in a short period of time. At the same time, these advanced production model continually provides the Company’s production, operation and sales with vitality, becoming the solid foundation for the Company’s continuous improvement, breaking output and sales.

“Integration” model and the “2-hour” production line

The company develops the integrated production mode of “planting forage grass – cows breeding – processing products”, and carries out planting forage grass and dairy cattle breeding in its own farms to ensure the quality and safety of milk sources.

During the manufacturing of dairy products, the cows are led to the milking parlor for automatic milking through advanced milking equipment. The raw milk being extrude will then flow to the production line for processing. In order to shorten the transportation time and to maximize the retention of active substances in milk, the Company has made special construction on production bases. In the production bases, one side housed the milking parlor, whole the other installed the milk processing production line. For the milk just produced, after passing the test, will be passed through the sealed pipelines to the production line. Through the integrated production model with zero distance, the whole process of raw milk from nipples to completion of processing will be achieved within 2 hours.

3.4 活·享健康

對於牛奶而言，加工時間越短，越有利於保留牛奶中的活性成分。為向消費者提供富有營養、最大程度保留活性物質的牛奶產品，公司推行並持續改進「一體化」模式與「2小時」生產綫，在短時間內完成全部生產過程；同時，這些先進的生產模式也為公司的生產、運營、銷售源源不斷的輸送活力，作為公司不斷提升、突破產量、銷售量等業績的堅實基礎。

「一體化」模式與「2小時」生產綫

公司發展「牧草種植—奶牛養殖—產品加工」一體化的生產模式，在自有牧場中進行牧草種植、奶牛養殖，保證奶源質量安全。

在進行奶產品生產製造時，工作人員將奶牛引入擠奶大廳，通過先進的擠奶設備實現自動化擠奶，原奶在擠出後流至生產綫進行加工。為縮短運輸時間，最大程度上保留牛奶中的活性物質，公司對於生產基地實施特殊建設。在生產基地中，一邊是擠奶大廳，另一邊即是牛奶加工生產綫。剛剛產出的牛奶，經檢驗合格後，即通過密封管道直達生產綫。通過零距離的一體化生產模式，實現在2小時內完成原奶自乳頭到加工完成的全部過程。



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4 HIGH SPECIFICATION – LOOP CONSERVATION TO SAVE GREEN

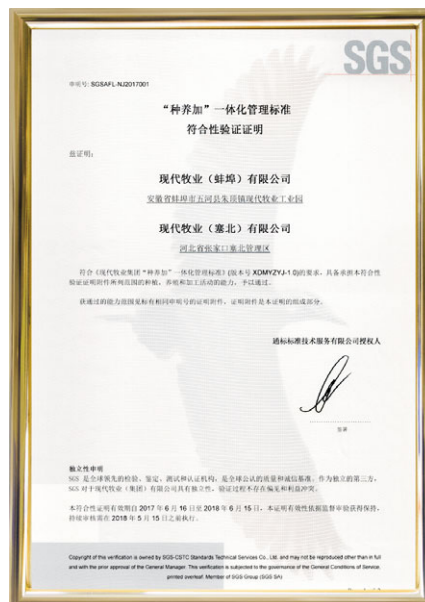
The Company is in strict compliance with laws, regulations and standards, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), implements the management concept of "protecting the environment, reducing costs and being energy efficient" through the top-level design of "integration of planting and breeding", the Company builds up an eco-friendly farm and constructs a green environmental recycling farm to realize the harmonious coexistence between man and nature.

On 20 June 2017, Modern Dairy's pioneering top-level design in China – "integration of planting, breeding and processing" model, officially passed the Swiss SGS certification, becoming the only enterprise in China that its integration production model is recognized by SGS. It suggests that the advanced production model of Modern Dairy has reached the world-class high standard after being strictly tested by international authoritative testing organization.

4 高規格－循環節約保綠色

公司嚴格遵守《中華人民共和國環境保護法》、《中華人民共和國大氣污染防治法》、《中華人民共和國固體廢物污染環境防治法》等法律法規和標準，貫徹「保護環境、降低成本、節能友好」的管理理念，通過「種養加工一體化」的頂層設計，打造環境友好的生態牧場，構建綠色環保的循環式牧場，實現人與自然的和諧共處。

二零一七年六月二十日，現代牧業全國首創的頂層設計－「種植、養殖、加工一體化」模式，正式通過瑞士通用公證行SGS認證，成為國內唯一的一體化生產模式被SGS認證的企業。這意味著現代牧業先進的生產模式通過國際權威檢測機構的嚴苛檢驗後，達到世界級的高標準。



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4.1 Reducing pollutant emissions

The Company has actively responded to the call of national green development by focusing on the recycle treatment of pollutants such as greenhouse gases, hazardous and non-hazardous waste, biogas slurry and biogas residue. It has also formulated strict emission management systems and recycle management systems including “waste oil recycle management system” to reduce pollution emissions and fulfill social responsibilities.

During the reporting period, the utilization rate of biogas slurry reached 100%.

In 2017, major emissions and its amount from the production units of the Company are as follows:

4.1 降低污染排放

公司積極響應國家綠色發展的號召，關注溫室氣體、有害及無害廢棄物、沼液、沼渣等排放物的回收處理，制定了《廢油回收管理制度》等嚴格的排放物管理制度及回收管理制度，以降低污染排放，履行社會責任。

報告期內，公司沼液資源化利用率達100%。

2017年公司生產單位主要排放物與排放量：

Emission 排放物	Figures 數據
Total emissions of greenhouse gases (tCO ₂ e) 溫室氣體排放總量(tCO ₂ e)	902,706.57
Emissions of NO _x (ton) NO _x 排放量(噸)	59.19
Emissions of SO ₂ (ton) SO ₂ 排放量(噸)	141.33
Emissions of soot (ton) 煙塵排放量(噸)	319.30
Output of hazardous wastes (ton) 危險廢棄物產生量(噸)	240.07
Number of Cow treated at no harm 無害化處理的牛頭數(頭)	14,409
Output of wasted packing materials (ton) 廢包裝材料產生量(噸)	158.03
Discharge amount of wastewater from liquid milk companies (ten thousand of cubic meters) 液奶公司廢水排放量(萬立方米)	259.00



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Modern Dairy places emphasis on environmental impact of production emissions, and tries to build a multi-pipeline emission reduction system. First of all, we try to improve from the source by replacing the old resources that might produce polluting emissions with more environmentally friendly new energies. Secondly, for the waste emission that is already generated, we adhere to the concept of turning waste into treasure by giving priority to its recycling value and then conducting detoxification treatment to it. Finally, for those cannot be used or handled by enterprises, they will be sent to companies with recycling capabilities for proper treatment.

現代牧業重視生產排放對環境的影響，嘗試多渠道構築減排體系。首先，從源頭進行改進，將有可能產生污染排放的舊能源更替為更為環保的新能源；其次，對於已經產生的廢棄物排放，堅持變廢為寶的理念，優先考慮其循環利用價值，然後再進行無害化處理；最後，對於企業無法利用和處理的，交由具有回收資質的公司妥善處理。

Specific measures to reduce emissions

減少排放物的具體措施

Reducing the emission of greenhouse gases

減少溫室氣體排放

- Utilize new energy to replace old energy sources with high level of greenhouse gas emissions
- 使用新能源替代溫室氣體排放高的舊能源

Reduce the emission of non-hazardous waste

減少無害廢棄物排放

Coal-fired boiler ash
燃煤鍋爐灰渣

Sewage
污水

- Utilize ash to fill the road of farms or potholes of place
- 利用灰渣填平牧場道路或場地坑窪的部分
- Control water consumption
- 控制用水量

Reduce the emission of hazardous waste

減少有害廢棄物排放

Medical waste and testing agent bottles used in laboratories
醫療垃圾及化驗所用試劑瓶

Waste oil
廢油料

- To be handled by third parties
- 交由第三方進行處理
- Formulate and implement the "Management System of Waste Oil Recycle" (《廢油回收管理制度》)
- 制定並實施《廢油回收管理制度》
- Biogas residue from farms are used in bedding calves when the standard moisture content is reached
- 各牧場沼渣均在達到標準水分含量後用於牛只臥床鋪墊
- In 2017, the Company achieved zero biogas residue discharge
- 2017年公司實現零沼渣排放

Reduce the emission of biogas residue

減少沼渣排放



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4.2 Reduce Resources Consumption

In order to reduce resources consumption, the Company has revised the special appraisal system for resources such as water, electricity, coal and gasoline, examined the amount of resources used, and conducted monthly appraisal to supervise the use of resources efficiency in farms.

During the reporting period, the resources consumption from the production units of the Company was as follows:

4.2 節約資源消耗

公司為節約資源消耗，對水、電、煤、油等資源專項評比制度進行修訂，檢測資源使用量，每月進行評比，更好的督促各牧場進行資源的節約使用。

報告期內，公司生產單位的資源消耗量：

Resources consumption 資源消耗	Figures 數據
Total consumption of electronic power purchased (ten thousand of kWh) 外購用電總量(萬千瓦時)	24,874.00
Fire coal (ten thousand of tons) 燃煤(萬噸)	0.86
Natural gases(ten thousand of cubic meters) 天然氣(萬立方米)	548.41
Diesel (ten thousand of liters) 柴油(萬升)	546.94
Gasoline (ten thousand of liters) 汽油(萬升)	20.08
Consumption of marsh gases (ten thousand of cubic meters) 沼氣消耗量(萬立方米)	13,964.00
Total consumption of comprehensive energy (ten thousand of tons of standard coal) 綜合能源消費總量(萬噸標煤)	15.07
Total water consumption (ten thousand of tons) 用水總量(萬噸)	1,005.75
Total consumption of packing materials of branded milk (ten thousand of tons) 品牌奶包裝消耗材料總量(萬噸)	0.25

The Company continues to improve its conservation management system by implementing the transformation and upgrade of equipment, regulating the operations of equipment, updating the energy sources for driving of equipment, adjusting the demand structure of equipment in order to reduce resources consumption to the maximum extent.

公司不斷完善節約式管理體系，實施設備改造升級、規範設備操作、更新設備驅動能源、調整設備需求結構，四方合力以求最大限度地降低資源消耗。



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Energy 能源	Energy-saving measures 節能措施	Energy-saving performance 節能成效
Electricity 電	<ul style="list-style-type: none"> Promoting altered LED lighting in Bengbu Farm 在蚌埠牧場推廣LED照明的改造 Using air-cooling device for milk pre-cooling in Shuangcheng Farm 在雙城牧場使用風冷裝置進行牛奶預冷 	<ul style="list-style-type: none"> An annual electricity saving of 280,000 kWh 全年可節約電量28萬千瓦時 Monthly reduction of electricity consumption for coolers of 27,000 kWh 每月可減少製冷機耗電量27,000千瓦時
Coal 煤	<ul style="list-style-type: none"> Reduce coal consumption by gradual replacing coal boiler with biogas, gas boiler for heating 各牧場逐步取消燃煤鍋爐，改用沼氣、天然氣鍋爐供暖，降低煤炭使用量 Using solar power to replace steam-heating domestic water 太陽能替代蒸汽加熱生活用水 	<ul style="list-style-type: none"> In 2017, the actual coal consumption was 8,555 tons, a saving of approximately 5,407 tons from expected 2017年實際用煤量為8,555噸，較預算節約5,407噸 Possible monthly saving of 100 tons of coal 每月可節約用煤100噸
Diesel 柴油	<ul style="list-style-type: none"> Unified diesel management by implementing one-car-one-card to strictly control the consumption used by vehicles 統一柴油管理，實行一車一卡，嚴格控制車輛用油量 In Shangzhi Farm, outdated vehicles were used and feeding trucks and manure suction cars with larger capacity were used to reduce number of transportation 在尚志牧場中，利用淘汰老舊車輛，使用容量更大的飼喂車和吸糞車，減少拉運次數 	<ul style="list-style-type: none"> Monthly saving of 600 litres of fuel consumption 每月可節省耗油量600升



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4.3 Protection of ecological environment

As an environmentally friendly enterprise, Modern Dairy always considers the protection of the ecological environment is an integral part of an enterprise, and is committed to carry out environmental promotion, such as constructing ecological environment protection system and building up environmentally friendly farms.

The Company's farms has formulated relevant systems on the selection of sites for new farms, with "cherishing the use of lands and reducing the negative impact to the environment during the Company's production and operations" as the core aspect, while taking into account the environmental factors that we need to consider during site selection, such as terrain and topography, surrounding environment, water source, and quality standard, etc.

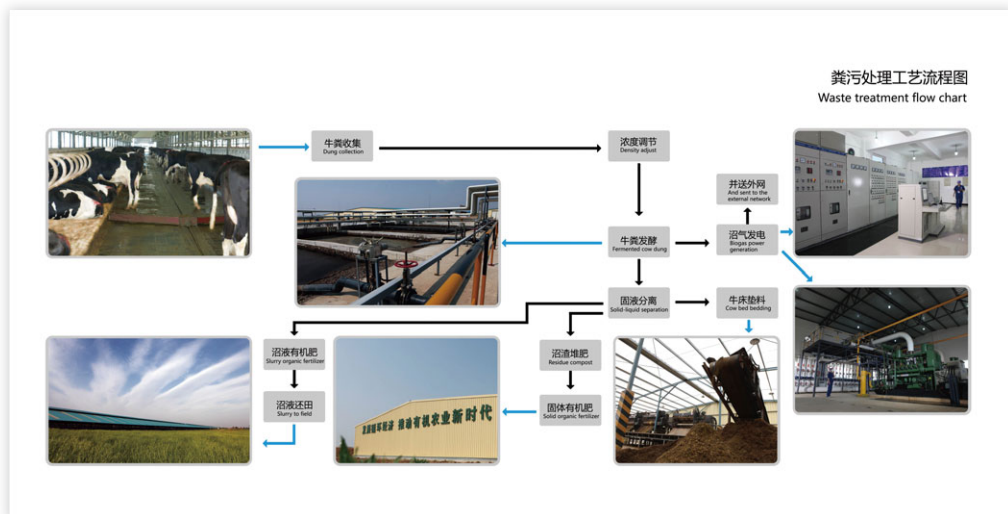
The Company proactively participated in green development action. As a pioneer, Bengbu Farm created a sample plate of modern ecological civilization farm where humans coexist with the nature harmoniously. In initial period of construction, Bengbu Farm was injected with RMB40 million for building facilities such as sewer lines, biogas slurry pools and biogas power generation, while equipped with cow dung treatment facilities, which can dispose all cow dung generated from cowsheds. Cow dung after fermentation generated marsh gases, biogas residues and biogas slurries. Marsh gases were used for power generation producing steams, which provided energy protection for farms. Biogas residues after recycling were used to underlay beds of cows. Biogas manures were sold to the local farmers for fertilizing silaging lands surrounding to the farm. Cyclic utilization was realized comprehensively to promote green development.

4.3 保護生態環境

現代牧業作為環境友好型企業，始終將保護生態環境視為企業不可分割的一部分，並著力開展環保宣傳工作，如建設生態環境保護制度、打造環保牧場等。

公司制訂了關於新建牧場選址的相關制度，以「珍惜利用土地，減少公司生產經營中對環境的不良影響」為核心，同時涵蓋了選址時需考慮的環境因素，如地形地勢、周邊環境、水源水質標準等。

公司積極參與綠色發展行動，以蚌埠牧場為先鋒，打造人與自然和諧共生的現代化生態文明牧場樣板。蚌埠牧場建設初期投入了4,000萬元，用於修建下水管道、沼液池和沼氣發電等設施；同時牧場也配備了牛糞處理設施，可以處理牛舍產生的所有牛糞。牛糞經過發酵產生沼氣、沼渣、沼液，沼氣用於發電產蒸汽，為牧場提供能源保障，沼渣回收後用於鋪墊牛只臥床，沼肥銷售至當地農戶，用於牧場周邊青貯土地施肥，全方位實現循環利用，促進綠色發展。



5 HIGH WELFARE – ACHIEVING COMMON DEVELOPMENT WITH EMPLOYEES

5.1 Safeguarding the Rights and Interests of Employees

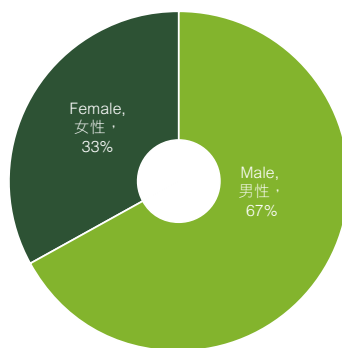
According to the relevant laws and regulations of the nation, such as the Labor Law and Employment Contracts, the Company has formulated the systems, such as the Compilation of Human Resource System (《人力資源制度匯編》) and the Employees' Code of Conducts (《員工合同準則》), prepared the Employees' Fundamental Management Manual (《員工基礎管理手冊》) and the Operation Manual on Resignation (《離職操作手冊》) to improve the employees' induction process management, and regulate the employees' contracts filing management, standardize the requirement on process such as remuneration, dismissal, recruitment and promotion, and prohibit child labor or forced labor. The Company has formulated a clearly articulated attendance and annual leave system and fully protected the resting and vacation rights of our staffs. The Company pays great attention to the diversity of the team building and the equality of our staffs, strictly prevents the occurrence of unlawful incidents, such as sex discrimination. While safeguarding the rights and interests of employees, we maintain the order of production and work, and promote equality among employees as well as the harmonious and stable development of labor relations.

5 高福利－攜手員工共成長

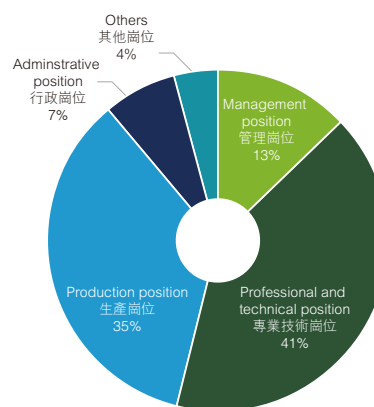
5.1 維護員工權益

根據國家《勞動法》、《勞動合同法》等國家法律法規，公司制定《人力資源制度彙編》、《員工行為準則》等制度，編製《員工基礎管理手冊》、《離職操作手冊》，完善員工入職流程管理，規範員工合同檔案管理，對於薪酬及解僱、招聘及晉升等過程進行規範化要求，杜絕使用童工及強制用工。公司制定清晰明確的考勤和休假制度，充分保障員工休息休假權利。公司注重團隊多元化建設與員工平等性，嚴格防範性別歧視等現象的發生。在保障員工權益的同時，維護生產秩序與工作秩序，促進員工間的平等、勞動關係的和諧穩定發展。

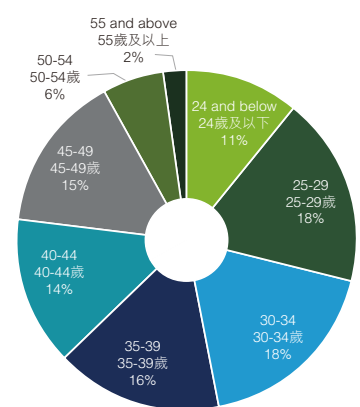
Ratio of employees by gender
按性別分類的員工比例



Ratio of employees by position
按崗位分類的員工比例



Ratio of employees by age groups
按年齡段分類的員工比例



As at the end of the reporting period, the total number of employees of the Company was 5,097, and the annual staff turnover rate was 2.50%. There was no employment of child labor or forced labor during the year.

截至報告期末，公司員工總數5,097人，年度員工流失率2.50%，全年未發生童工及強制勞工的用工情況。



5.2 Ensuring the Safety and Health of Employees

To safeguard the safety and health of employees during the production process, the Company has formulated internal systems such as the Safe and Civilization Management System (《安全文明管理制度》), the Safety Production Accident Management System (《安全生產事故管理制度》), the Employee's Body Check-up System (《員工體檢制度》) under the guidance of national laws and regulations of the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》). The Company has established regulation standards to categorize and classify the grading of production safety accidents, and investigate the cause of accidents and rectify them in a timely manner, and prevent similar production safety accidents from occurring repeatedly; to regulate the matters such as wearing and disinfecting protective equipment when our employees interact with cows, so as to mitigate the risk of jeopardize the safety and health of our employees by cows. Meanwhile, the Company has expressly stipulated the types and frequency of employees' body check-up to enhance guardianship management of employees' occupational health.

During the reporting period, the body check-up coverage rate of the occupational disease of the Company was 100%, the supplementary commercial insurance coverage rate was 100%, and supplementary medical insurance coverage rate was 94.90%.

5.2 保障安全健康

為保障員工在生產過程中的安全與健康，公司在《中華人民共和國安全生產法》、《中華人民共和國職業病防治法》、《生產安全事故報告和調查處理條例》等國家法律法規的指引下，制定《安全文明管理制度》、《安全生產事故管理制度》、《員工體檢制度》等內部制度。公司建立規範化標準，對生產安全事故進行分類和明確等級劃分，及時準確查清事故原因並整改，防止同類生產安全事故反復發生；對員工與牛只發生交互時的防具佩戴、消毒等事項進行規定，降低牛只對員工安全健康產生危害的風險；同時，公司對員工體檢類別及頻次進行了明確規定，加強了職業健康監護管理。

報告期內，公司職業病體檢覆蓋率達100%，補充商業保險覆蓋率達100%，補充醫療保險覆蓋率達94.90%。



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5.3 Contributing to Employees' Growth and Success

The Company has established and improved the talent training system and job promotion mechanism, on the basis of ensuring employee's equality and diversity, we proactively promote the exploration of our employees' individual potentials, and encourage our employees to enhance their capability and skills while participating in the Company's ordinary production and construction, to promote the vocational and professional development of our internal talents.

Career Development

The Company has formulated the systems such as the Assessment Plan of Human Resources Work (《人力資源工作考評方案》), established a comprehensive employee's promotion mechanism, which formulates various promotion paths for employees at different positions, and creates a multi-channeled promotion development platform for employees, ensuring equality and competitiveness on promotion among different types of employees.

Path for Managerial Excellence

管理路線



Path for Technical Excellence

技術路線



Path for Sales Excellence

銷售路線



Employees' training

The Training and Assessment System (《培訓考評制度》) formulated by the Company has constructed a diverse and comprehensive training system, regulated the Company's training management, and proactively organized training activities to enhance employees' individual capability and increase their production efficiency.

5.3 助力成長成才

公司建立並完善人才培養制度與職業晉升機制，在保證員工平等性和多樣性的基礎上，積極促進員工個人潛力的挖掘，鼓勵員工在參與公司日常生產建設的同時，進行個人能力、技術的提升，推動內部人才的職業化、專業化發展。

職業發展

公司制定《人力資源工作考評方案》等制度，建立完善的員工晉升機制，針對不同崗位員工制訂多種晉升路線，打造多通道的員工晉升發展平台，保證不同類型員工晉升的公平性和競爭性。

員工培訓

公司制定《培訓考評制度》，構建多樣、全面的培訓體系，規範公司培訓管理工作，積極組織培訓活動，提升員工個人能力，提高員工生產效率。



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For different types of employees, the Company has carried out professional training sessions emphasized on different focuses. During the reporting period, the Company has conducted a total of 1,270 professional training sessions, 47 management training sessions, of which 22,374 employees participated in professional training sessions and 27,519 employees participated in management training sessions.

6 HIGH VISION – PROMOTING THE INDUSTRY AND COMMUNITY DEVELOPMENT

6.1 Achieving Win-win Results with Partners

Building a responsible supply chain

Modern Dairy, as China's largest supplier of raw milk, has always been committing to building a responsible supply chain. Through strict quality control over raw materials for feed, packaging, logistics, etc., we supervise the agricultural enterprises in the place where it operates to ensure the health of cows and milk quality. Through the promotion on the use of alfalfa and straw, we deepen cooperation mechanism among the upstream and downstream of the industry and promote the stable, healthy and prosperous development of the industry.

The Company has established and improved the supplier management system, strengthened the supervision over the process of bidding and price comparison, optimized the suppliers team of the enterprise, and increased the purchase quality and efficiency. We have also formulated the Management System of the Standard to Purchase of Silage Corn (青貯玉米收購標準管理制度) to standardize the process of purchasing raw materials, and ensuring a safe and environmentally-friendly purchasing process; revised the Supplier Access and Withdrawal System (《供應商准入准出制度》) to establish an evaluation standard for suppliers and a catalogue for suppliers of materials, and we regularly select and evaluate the suppliers in the catalogue. We have enhanced the communication and exchanges among suppliers, increasing the supplier's basic rights while protecting the quality of products, to share the development results and achieve the win-win results under the cooperation of both parties.

對於不同類型的員工，公司進行了不同側重點的專業培訓。報告期內，公司共進行專業培訓1,270次、管理培訓47次，其中專業培訓參與人次22,374人次，管理培訓參與人次27,519人次。

6 高視野－促行業社區發展

6.1 攜手夥伴共贏

構建責任供應鏈

作為中國最大的原奶供應商，現代牧業始終致力於構建責任供應鏈。企業通過對飼料原料、包裝、物流等質量的嚴格把關，督促運營所在地農業企業的管理，確保奶牛健康與牛奶品質；通過推進苜蓿草和秸秆類的使用，深化產業上下游合作機制，推動行業穩定、健康、繁榮發展。

公司建立和完善供應商管理體系，加強了對招標比價過程的監督力度，優化企業的供應商隊伍，提高採購質量和效率；制訂《青貯玉米收購標準管理制度》，標準化原材料收購流程，確保收購過程安全、環保；修訂《供應商准入准出制度》，建立對供應商的評估標準與物料供應商目錄，並對目錄內的供應商進行定期篩選與評估；加強供應商之間的溝通交流，在保障產品質量的前提下，提高供應商的基本權益，共享發展成果，實現兩方合作共贏的結果。



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The Company promoted heavy use of alfalfa to drive the construction of alfalfa bases of domestic large-scale grassland companies, which played a crucial role to the development of domestic alfalfa industry. The Company embraced the development need of integration of forage grass planting, cow breeding and milk processing and adhered to boosting innovation on grassland industry by innovation of breeding to enable domestic alfalfa industry to accelerate the establishment of enterprise-oriented scientific and technological innovation system and to drive the growth and development of technological level and economic level industrialized by the enterprises.

The Company promoted reuse of straws to accelerate agricultural recycling economy, to improve production and living conditions of rural residents and increase incomes of farmers. At the same time, reuse of straws reduced soot from straw burning released to air, resulting in reducing air pollution and protecting ecological environment.

Selection of quality suppliers

As at the end of reporting period, the Company has worked with 672 suppliers, including 17 foreign suppliers. The Company has actively cooperated with large domestic feed companies, participating in the price analysis and market competition in the industry while ensuring the quality of raw materials. The Company has signed contracts with local feed companies for long-term cooperation, in order to secure high-quality and stable supply at low transportation cost while actively boosting the positive development of local economy.

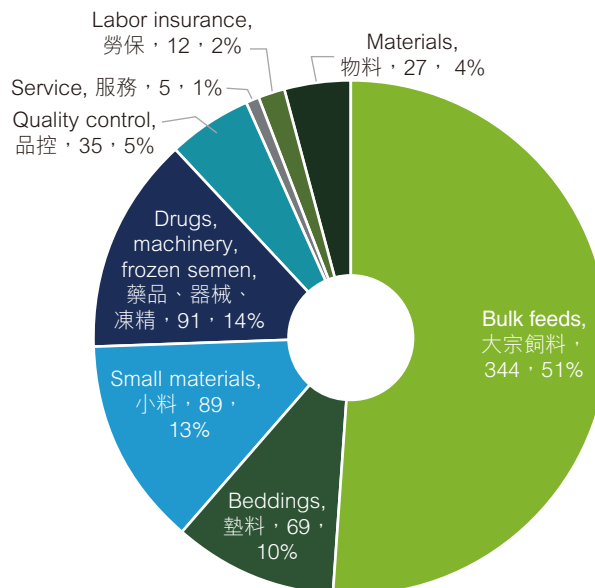
公司推進苜蓿草的大量使用，帶動了國內規模化草業公司苜蓿基地的建設，為國內苜蓿草產業的發展起到了至關重要的作用。公司圍繞種養加一體化的發展需要，堅持以養殖創新助推草業創新，使得國內苜蓿草行業加快構建以企業為主的科技創新體系，推動企業產業化科技水平和經濟水平的增長和發展。

公司推進秸稈類再利用，加快了農業循環經濟，改善農村居民生產生活條件，增加農民收入。同時，秸稈類再利用減少了秸稈燃燒向空氣中排放的煙塵，降低空氣污染，保護生態環境。

精選優質供應商

截至報告期末，公司共合作供應商672家，其中國外供應商17家。公司積極與國內大型飼料企業合作，在保證原料質量的同時，積極參與行業內的價格分析及市場競爭。公司與當地飼料生產商簽訂長期合作合同，以低運輸成本獲得高質量穩定供貨源，同時對促進當地的經濟發展起到了積極的作用。

Number of suppliers by category
按類別劃分的供應商數目



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The Company actively takes up its social responsibilities, and works together with suppliers to standardize operation and achieve development. The Company strengthens communication with suppliers through various channels to safeguard their basic rights and boost the development of industry chain. In the meantime, the Company invites its suppliers to involve in its inventory adjustment strategy. Through changing the short-term mind-set of procurement to the change of long-term strategic supply chain management, we have achieved win-win cooperation with suppliers.

The Company has formulated a strict system for the access, withdrawal and management of suppliers. During the process of materials inspection, only suppliers with compliance certificates and a full production system will be taken into consideration. In accordance with the internal Supplier Management System (《供應商管理制度》), the Company has carried out the management of suppliers at different levels and periodically conducted sampling and evaluation of quality, giving feedbacks on existing problems and supervising the rectification. Suppliers that failed the inspection will be suspended, entered into list of alternative suppliers, and if no improvement is made, they will be blacklisted.

6.2 Benefiting People's Livelihood Through Public Welfare

Three rural services

In 2017, fully capitalizing on its influences and advantages in terms of production chain by its own operation and based on its management characteristics, the Company continued to implement its three rural services deployment and help the development in rural regions.

During the reporting period, the Company signed a contract to plant silage corn with an area of over 400,000 acres, and acquired more than 730,000 tons of silage corn, using organic biogas fertilizer in the planting base and reducing the amount of chemical fertilizer by 20-25kg per mu. It has solved the environmental contamination caused by incineration of straw and achieved the green agriculture economic cycle model of "cow-fertilizer-grass", bringing more than RMB300 million of direct benefits to farmers. It has improved rural environment, promoted agricultural development, and achieved the good interaction and win-win development between dairy industry and agriculture, enterprises and communities.

公司主動承擔社會責任，攜手供應商規範運營、共謀發展。公司通過多種形式加強與供應商的溝通交流，保障供應商的基本權益，扶持和帶動產業鏈發展。同時，公司邀請供應商參與到公司庫存調整戰略中，改變採購的短期思路，向長期、戰略性的供應鏈管理思路轉變，實現與供應商的合作共贏。

公司制定了嚴格的供應商准入、准出及管理制度。在審查材料過程中，只將具有合規證件及完善生產制度的供應商納入考量範圍；公司根據內部的《供應商管理制度》對供應商進行分級管理，並定期進行質量抽檢和評估，反饋存在的問題並監督整改；對於抽檢不合格的供應商執行「休眠期」，進入供應商備選名單，屢次不改則拉入黑名單不予合作。

6.2 公益惠澤民生

服務三農

2017年，公司立足自身運營管理特色，充分發揮生產鏈條影響優勢，繼續推進服務三農的工作部署，助力農村發展。

報告期內，公司簽約青貯玉米種植面積40萬餘畝，收購青貯玉米73萬餘噸，在種植基地配套使用有機沼肥，每畝減少20-25kg化肥用量，解決了因焚燒秸稈帶來的環境污染，實現了「牛一肥一草」的綠色農業經濟循環模式，為農戶帶來直接收益3億多元，改善了農村環境，促進了農業發展，實現奶業與農業、企業與社區的良好互動、共贏發展。



Environmental, Social & Governance Report 環境、社會及管治報告

Public charity as a priority

The Company adheres to the corporate objective of “not only making a brand but also pursuing a good reputation.” While pursuing product quality and gaining consumer trust, it values the fulfilment of corporate social responsibility, and actively participates in charitable and volunteer activities. Through its product and care, the Company gives back to society and build a corporate image that cares for people’s livelihood and takes responsibility.

On 21 February 2017, China Dairy Association released the D20 corporate milk school sponsorship action plan. Modern Dairy successively donated pure milk which was worth RMB3.85 million, totalling 64,107 boxes or nearly 800,000 packets to 115 elementary schools in the action.

公益先行

公司秉承「不僅是做品牌，而且是追求好口碑」的企業宗旨，在追求產品品質、獲取消費者信任的同時，重視履行企業社會責任，積極參與公益慈善和志願者活動，以產品和愛心回饋社會，樹立了關心民生、認真負責的企業形象。

二零一七年二月二十一日，中國奶業協會發佈D20企業牛奶助學公益行動方案，現代牧業在此次活動中為115所小學陸續捐贈出價值385萬元、累計64,107提、近80萬包的純牛奶。



TABLE OF KEY PERFORMANCE

關鍵績效表

Key performance indicator 關鍵績效指標	Figures 數據
Emissions of greenhouse gases from farms (tCO ₂ e) 牧場溫室氣體排放量(tCO ₂ e)	881,079.79
Emissions of greenhouse gases from raw milk unit output 原奶單位產量溫室氣體排放量(tCO ₂ e/噸)	0.75
Emissions of greenhouse gases from liquid milk companies (tCO ₂ e) 液奶公司溫室氣體排放量(tCO ₂ e)	21,626.78
Emissions of greenhouse gases from branded milk unit output (tCO ₂ e/ton) 品牌奶單位產量溫室氣體排放量(tCO ₂ e/噸)	0.30
Direct emissions of greenhouse gases (tCO ₂ e) 溫室氣體直接排放量(tCO ₂ e)	721,868.52
Indirect emissions of greenhouse gases (tCO ₂ e) 溫室氣體間接排放量(tCO ₂ e)	180,838.05
Total emissions of greenhouse gases (tCO ₂ e) 溫室氣體排放總量(tCO ₂ e)	902,706.57
Emissions of SO ₂ (ton) SO ₂ 排放量(噸)	141.33
Emissions of NO _x (ton) NO _x 排放量(噸)	59.19
Emissions of soot (ton) 煙塵排放量(噸)	319.30
Output of medical wastes from farms (ton) 牧場醫療垃圾產生量(噸)	93.69
Output of hazardous wastes (ton) 危險廢棄物產生量(噸)	240.07
Number of cows died from diseases and cow undergoing harmless treatment 病死牛頭數及無害化處理的牛頭數(頭)	14,409
Output of wasted packing materials (ton) 廢包裝材料產生量(噸)	158.03
Output of biogas slurry (ten thousand of cubic meters) 沼液產生量(萬立方米)	572.77
Outward transport of biogas slurry (ten thousand cubic meters) 沼液外運量(萬立方米)	586.61
Output of biogas residues (ten thousand of tons) 沼渣產生量(萬噸)	183.18
Output of coal cinders (ton) 煤渣產生量(噸)	8,549.55
Discharge amount of wastewater from liquid milk companies (ten thousand cubic meters) 液奶公司廢水排放量(萬立方米)	259.00
Utilization rate of recycled biogas slurry (%) 沼液資源化利用率(%)	100
Total consumption of electronic power purchased (ten thousand of KWH) 外購用電總量(萬千瓦時)	24,874.00
Consumption of fire coal (ten thousand tons) 燃煤消耗量(萬噸)	0.86
Consumption of natural gases (ten thousand of cubic meters) 天然氣消耗量(萬立方米)	548.41
Consumption of diesel (ten thousand liters) 柴油消耗量(萬升)	546.94
Consumption of gasoline (ten thousand liters) 汽油消耗量(萬升)	20.08
Comprehensive energy consumption of purchased energy (ton of standard coal) 外購能源綜合能耗量(噸標煤)	51,044.05
Consumption of methane (ten thousand of cubic meters) 沼氣消耗量(萬立方米)	13,964.00
Power generation capacity of methane (ten thousand of KWH) 沼氣發電量(萬千瓦時)	6,118.00
Quantity of steam generated from methane (ten thousand tons) 沼氣產生的蒸汽量(萬噸)	72.40
Total consumption of comprehensive energy (ten thousand tons of standard coal) 綜合能源消費總量(萬噸標煤)	15.07
Comprehensive energy consumption of raw milk unit output (ton of standard coal/ton) 原奶單位產量綜合能耗量(噸標煤/噸)	0.12
Comprehensive energy consumption of branded milk unit output (ton of standard coal/ton) 品牌奶單位產量綜合能耗量(噸標煤/噸)	0.11
Total water consumption (ten thousand tons) 用水總量(萬噸)	1,005.75
Water consumption of raw milk unit output (ton/ton) 原奶單位產量耗水量(噸/噸)	8.10
Water consumption of low-temperature milk unit output (ton/ton) 低溫奶單位產量耗水量(噸/噸)	6.67
Total consumption of packing materials of branded milk (ten thousand tons) 品牌奶包裝消耗材料總量(萬噸)	0.25
Total number of staff 員工總數(人)	5,097



Environmental, Social & Governance Report 環境、社會及管治報告

Key performance indicator 關鍵績效指標			Figures 數據
Number of staff and ratio (%) by region 按地區劃分的員工人數(人)及比例(%)			
Ma'anshan 馬鞍山	349, 6.85%	Hongya 洪雅	156, 3.06%
Bengbu 蚌埠	947, 18.58%	Tongshan 通山	9, 0.18%
Hefei 合肥	470, 9.22%	Helin 和林	195, 3.83%
Wenshang 汶上	243, 4.77%	Shuangcheng 雙城	260, 5.10%
Chabei 察北	601, 11.79%	Shanghe 商河	420, 8.24%
Saibei 塞北	709, 13.91%	Chengdu 成都	3, 0.06%
Tongliao 通遼	179, 3.51%	Wuhan 武漢	3, 0.06%
Shangzhi 尚志	159, 3.12%	Jinan 濟南	2, 0.04%
Baoji 寶雞	346, 6.79%	Nanchang 南昌	43, 0.84%
		Tai'an 泰安	1, 0.02%
		Hong Kong 香港	2, 0.04%
Number of staff and ratio (%) by employment type 按僱傭類型劃分的員工人數(人)及比例(%)			
Managerial position 管理崗位			639, 12.54%
Professional technical position 專業技術崗位			2,109, 41.38%
Manufacturing position 生產崗位			1,761, 34.55%
Administrative position 行政崗位			358, 7.02%
Other positions 其他崗位			230, 4.51%
Number of staff and ratio (%) by age group 按年齡組別劃分的員工數量(人)及比例(%)			
Aged 24 or below 24 歲及以下			559, 10.97%
Aged 25 to 29 25-29 歲			933, 18.30%
Aged 30 to 34 30-34 歲			908, 17.81%
Aged 35 to 49 35-49 歲			797, 15.64%
Aged 40 to 44 40-44 歲			729, 14.30%
Aged 45 to 49 45-49 歲			764, 14.99%
Aged 50 to 54 50-54 歲			320, 6.28%
Aged 55 or above 55 歲及以上			87, 1.71%
Number of staff and ratio (%) by gender		Male 男	3,419, 67.08%
按性別劃分的員工人數(人)及比例(%)		Female 女	1,678, 32.92%
Annual employee turnover rate (%) 員工年度流失率 (%)			
			2.50
Coverage rate of physical examination for occupational diseases (%) 職業病體檢覆蓋率(%)			
			100
Number of people for training 培訓人次(人)			
			49,893
Number of training sessions 培訓場次(次)			
			1,317
Number of training hours 培訓時數(小時)			
			987.75
Number of average training hours of staff 員工平均受訓時數(小時)			
			7.34
Coverage rate of supplementary medical insurance (%) 補充醫療保險覆蓋率 (%)			
			94.90
Coverage rate of supplementary commercial insurance (%) 補充商業保險覆蓋率 (%)			
			100
Total number of suppliers 供應商總數(個)			
			478



Environmental, Social & Governance Report 環境、社會及管治報告

Key performance indicator 關鍵績效指標		Figures 數據
Number of silage supplier by farm 按牧場劃分的青貯供應商數目(個)	No. 數目	No. 數目
Shangzhi 尚志	10	Saisi 塞四 10
Shuangcheng 雙城	15	Chabei 察北 18
Tongliao 通遼	13	Hengsheng 恒盛 17
Helin 和林	17	Hefei 合肥 15
Baoji 寶雞	17	Bengbu 蚌埠 31
Hongya 洪雅	6	Ma'anshan 馬鞍山 15
Saier 塞二	10	Wenshang 汶上 5
Saisan 塞三	10	Shanghe 商河 15
	Total 合計	224
Number of suppliers domestically and overseas 按國內外劃分的供應商數目(個)		
Domestic 國內		461
Overseas 國外		17
Total 合計		478
Number of suppliers by category 按品類劃分的供應商數目(個)		
Bulk feed 大宗飼料		344
Paddings 墊料		69
Little raw materials 小料		89
Medicines, instruments and frozen semen 藥品、器械、凍精		91
Quality controls 品控		35
Services 服務		5
Labour protection 勞保		12
Materials 物料		27
Total 合計		672
Reject rate of raw milk (%) 原奶拒收率(%)		0.33
Number of training of occupational ethics 職業道德培訓次數		19
Number of participants for training of occupational ethics 職業道德培訓參與人數		460
Number of juridical cases for corruption 貪污腐敗司法案件數量(件)		0
Donation amounts (ten thousand dollars) 捐贈金額(萬元)		385
Number of community volunteers 參與社區志願者人次(人次)		100



CORPORATE INFORMATION

公司資料

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. LEE Kong Wai, Conway (*Chairman*)
Mr. WOLHARDT Julian Juul
Mr. ZHANG Ping

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. LU Minfang (*Chairman*)
Mr. LI Shengli
Mr. KANG Yan

STRATEGY AND DEVELOPMENT COMMITTEE

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

SENIOR MANAGEMENT

Mr. CHEN Hongbo
Mr. DONG Xianli
Mr. HAI Tao
Mr. WANG Chun Jiang
Mr. ZHAO Zunyang
Mr. YANG Wenhai

AUTHORISED REPRESENTATIVES

Ms. GAO Lina
Mr. LI Kwok Fat

COMPANY SECRETARY

Mr. LI Kwok Fat (*CPA, ACIS, ACS*)

董事會

執行董事

高麗娜女士 (*副主席兼總裁*)
韓春林先生 (*營運總經理*)

非執行董事

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

獨立非執行董事

李勝利先生
李港衛先生
康龔先生
鄒飛先生 (於二零一七年三月二十九日辭任)

審核委員會

李港衛先生 (*主席*)
WOLHARDT Julian Juul 先生
張平先生

薪酬委員會

李勝利先生 (*主席*)
張平先生
康龔先生

提名委員會

盧敏放先生 (*主席*)
李勝利先生
康龔先生

戰略及發展委員會

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

高級管理層

陳紅波先生
董先理先生
海濤先生
王春江先生
趙遵陽先生
楊文海先生

授權代表

高麗娜女士
李國發先生

公司秘書

李國發先生 (*CPA, ACIS, ACS*)



Corporate Information 公司資料

HEADQUARTERS

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

REGISTERED OFFICE

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

HONG KONG OFFICE

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Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17/F, Hopewell Centre
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Hong Kong

LEGAL ADVISORS

As to Hong Kong Law

Cleary Gottlieb Steen & Hamilton (Hong Kong)

As to China 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>

總辦事處

中國
安徽省馬鞍山市
經濟技術開發區

註冊辦事處

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

香港辦事處

香港銅鑼灣
告士打道262號
中糧大廈
32樓A室

股份過戶登記總處

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

香港股份過戶登記分處

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

法律顧問

香港法律

佳利(香港)律師事務所

中國法律

通商律師事務所

開曼群島法律

Maples and Calder

核數師

德勤•關黃陳方會計師行
執業會計師

主要銀行

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

股份代號

香港聯合交易所有限公司：1117

網址

<http://www.moderndairyir.com>



INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

Deloitte.

德勤

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

致中國現代牧業控股有限公司股東
(於開曼群島註冊成立之有限公司)

OPINION

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 130 to 273, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

意見

我們已審核載於第130至273頁中國現代牧業控股有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)的綜合財務報表，該等綜合財務報表包括於二零一七年十二月三十一日的綜合財務狀況表，及截至該日止年度的綜合損益及其他全面收益表、綜合權益變動表及綜合現金流量表以及綜合財務報表附註(包括主要會計政策概要)。

我們認為，綜合財務報表已根據國際會計準則理事會(「國際會計準則理事會」)頒佈的國際財務報告準則(「國際財務報告準則」)真實而公平地反映 貴集團於二零一七年十二月三十一日的綜合財務狀況以及其截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例的披露規定妥為編製。



Independent Auditor's Report 獨立核數師報告

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

意見的基礎

我們根據香港會計師公會（「香港會計師公會」）頒布的香港審計準則（「香港審計準則」）進行審核。我們在該等準則下的責任在我們的報告的核數師就審核綜合財務報表須承擔的責任一節進一步闡述。根據香港會計師公會的「職業會計師道德守則」（「守則」），我們獨立於貴集團，並已遵循守則履行其他道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的意見提供基礎。

關鍵審核事項

根據我們的專業判斷，關鍵審核事項為我們審核於本期間的綜合財務報表中最重要的事項。我們在整體審核綜合財務報表及就此達致意見時處理該等事項，而不會就此等事項單獨發表意見。



Independent Auditor's Report 獨立核數師報告

KEY AUDIT MATTERS (continued)

關鍵審核事項(續)

Key audit matter
關鍵審核事項How our audit addressed the key audit matter
我們在審核中處理關鍵審核事項的方法*Fair value of milkable cows*

奶牛公平值

We identified the fair value of milkable cows as a key audit matter due to the significance of the balance on the consolidated statement of financial position at 31 December 2017 and the significant degree of estimates made by the management in determining their fair values.

The Group reported milkable cows of Renminbi ("RMB") 5,337 million as at 31 December 2017. These biological assets are measured at fair value less costs to sell at the end of each reporting period.

As disclosed in notes 4 and 38 to the consolidated financial statements, 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 management's estimation is primarily based on the discount rate, the estimated feed costs per kilogram ("kg") of raw milk, estimated average daily milk yield at each lactation cycle and the estimated local future market price of raw milk. The Company has engaged an independent valuer to assist it in assessing the fair values of milkable cows.

Details of milkable cows and the related estimation uncertainty on their fair value are set out in notes 4, 21 and 38 to the consolidated financial statements.

我們將奶牛的公平值分辨為關鍵審核事項，乃由於於二零一七年十二月三十一日的綜合財務狀況表結餘的重要性以及管理層於釐定其公平值時進行具相當程度的估計。

於二零一七年十二月三十一日，貴集團報告人民幣（「人民幣」）5,337百萬元的奶牛。此等生物性資產以公平值減各報告期末出售成本計量。

如綜合財務報表附註4及38所披露，奶牛的公平值乃按多期超額盈利法釐定，其乃根據該等奶牛產生的未來貼現現金流量釐定。管理層估計主要基於貼現率、每千克（「千克」）原料奶估計飼養成本、各哺乳期的估計平均每日產奶量及估計本地未來原料奶市價。本公司已委聘獨立估值師協助其評估成乳牛的公平值。

奶牛及有關其公平值的估計未知數詳情載於綜合財務報表附註4、21及38。

Our procedures in relation to the fair value of milkable cows included:

- Testing the Group's internal controls over the fair value determination of milkable cows;
- Evaluating the independent valuer's objectivity, qualifications and competence;
- Utilising our internal valuation specialists to assess the valuation methodologies and the discount rate; and
- Assessing the reasonableness of key assumptions, including the estimated feed costs per kg of raw milk, estimated average daily milk yield at each lactation cycle and the future market price of raw milk by comparing to historical and industry data.

我們就評估奶牛公平值的程序包括：

- 檢測 貴集團對釐定奶牛公平值的內部控制；
- 評估獨立估值師的客觀性、資格及能力；
- 動用我們的內部估值專家評估估值方法及貼現率；及
- 透過比較過往及行業數據對主要假設的合理性進行評估，包括每千克原料奶估計飼養成本、各哺乳期的估計平均每日產奶量及估計未來原料奶市價。



Independent Auditor's Report 獨立核數師報告

KEY AUDIT MATTERS (continued)

關鍵審核事項(續)

Key audit matter
關鍵審核事項How our audit addressed the key audit matter
我們在審核中處理關鍵審核事項的方法*Impairment assessment on goodwill allocated to ADH CGU (as defined below)**分配至ADH現金產生單位商譽的減值評估(定義見下文)*

We identified the impairment assessment on goodwill arising from acquisition of Asia Dairy Holdings and Asia Dairy Holdings II ("ADH Companies") which is a cash-generating unit engaged in dairy farming operations (the "ADH CGU") as a key audit matter due to the significant degree of estimates and underlying assumptions made by the management in determining the recoverable amount.

The Group reported goodwill of RMB1,114 million relating to the acquisition of ADH Companies as at 31 December 2017.

As disclosed in notes 4 and 16 to the consolidated financial statements, the Group determines whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated and the Group determines the recoverable amount of units based on a value in use calculation. The management's estimation is primarily based on the cash flow projections and the discount rate. The Company has engaged an independent valuer to assist it in performing the goodwill impairment assessment.

我們將產生自收購 Asia Dairy Holdings 及 Asia Dairy Holdings II(「ADH公司」)，其為經營奶牛養殖業務的現金產生單位(「ADH現金產生單位」)商譽的減值評估識別為關鍵審核事項，乃由於管理層於釐定可收回金額時進行相當程度估計及相關假設。

於二零一七年十二月三十一日，貴集團報告有關收購 ADH公司的商譽為人民幣1,114百萬元。

如綜合財務報表附註4及16所披露，貴集團於釐定商譽是否已減值時，需要估計獲分配商譽的現金產生單位的可收回金額。貴集團基於使用價值計算釐定單位的可收回金額。管理層進行的估計主要基於現金流預測及貼現率。本公司已委聘獨立估值師協助其進行商譽減值評估。

Our procedures in relation to the goodwill impairment assessment on goodwill allocated to ADH CGU included:

- Testing the Group's internal controls over goodwill impairment assessment;
- Evaluating the independent valuer's objectivity, qualification and competence;
- Utilising our internal valuation specialists to assess the valuation methodologies and the discount rate; and
- Assessing the reasonableness of the future cash flows by comparing the estimated revenue as well as gross operating profits against historical data and the data used in the prior periods' impairment assessment.

我們就分配至ADH現金產生單位的商譽減值評估的程序包括：

- 檢測 貴集團對商譽減值評估的內部控制；
- 評估獨立估值師的客觀性、資格及能力；
- 動用我們的內部估值專家評估估值方法及貼現率；及
- 透過將估計收益及經營毛利與過往數據及於過往期間進行減值評估所用的數據進行比較對未來現金流的合理性進行評估。



Independent Auditor's Report 獨立核數師報告

KEY AUDIT MATTERS (continued)

關鍵審核事項(續)

Key audit matter
關鍵審核事項How our audit addressed the key audit matter
我們在審核中處理關鍵審核事項的方法*Impairment assessment on trade receivables**應收貿易賬款的減值評估*

We identified the impairment assessment on trade receivables from certain distributors of the Group's liquid milk products (the "Distributors") as a key audit matter due to the impairment loss recognised involved a significant degree of estimates and judgements made by the management in the estimation of future cash flows.

As disclosed in note 23 to the consolidated financial statements, the Group discontinued its direct cooperation with the Distributors, following a change in distribution channel during the year. The Group reported trade receivables of RMB1,070 million due from the Distributors and recognised an impairment loss of RMB488 million as at 31 December 2017.

Details of the estimation uncertainty of the estimated impairment of trade receivables are set out in note 4 to the consolidated financial statements.

我們將與 貴集團液奶產品的若干分銷商(「分銷商」)有關的應收貿易賬款的減值評估分辨為關鍵審核事項，乃由於所確認的減值虧損涉及管理層於估計未來現金流時進行具相當程度估計及判斷。

誠如綜合財務報表附註23所披露，本集團於年內改變分銷渠道後已終止其與分銷商的合作。於二零一七年十二月三十一日，貴集團報告應收分銷商的應收貿易賬款為人民幣1,070百萬元，並確認減值虧損人民幣488百萬元。

應收貿易賬款估計減值的估計不確定性詳情載於綜合財務報表附註4。

Our procedures in relation to the impairment assessment on trade receivables included:

- Testing the Group's internal controls over the impairment assessment on trade receivables;
- Obtaining and checking the relevant agreements with respect to the collaterals of trade receivables; and
- Evaluating the appropriateness of the management's basis used in the impairment assessment which considers the fair value of the collaterals and the estimated repayments from the Distributors.

我們就應收貿易賬款減值評估的程序包括：

- 檢測 貴集團對應收貿易賬款減值評估的內部控制；
- 取得及檢查就應收貿易賬款抵押品有關協議；及
- 評估管理層用於減值評估基礎的適宜性，考慮抵押品的公平值及分銷商償還的估計款項。



Independent Auditor's Report 獨立核數師報告

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

其他資料

貴公司董事須對其他資料承擔責任。其他資料包括載於年報的資料，惟不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表提出的意見並無涵蓋其他資料，而我們不會對其他資料發表任何形式的核證結論。

就我們審核綜合財務報表而言，我們的責任為閱讀其他資料，從而考慮其他資料是否與綜合財務報表或我們在審核過程中獲悉的資料存在重大不符，或是否存在重大錯誤陳述。倘若我們基於已進行的工作認為其他資料出現重大錯誤陳述，我們須報告有關事實。就此，我們毋須作出報告。

董事及肩負管治責任者就綜合財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈國際財務報告準則及香港公司條例的披露規定編製真實而公平地反映情況的綜合財務報表，及落實董事釐定對編製綜合財務報表屬必要的有關內部監控，以使該等綜合財務報表不會存在由於欺詐或錯誤而導致的重大錯誤陳述。

在編製綜合財務報表時，董事須負責評估貴集團持續經營的能力，並披露與持續經營有關的事項（如適用）。除非董事擬將貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則須採用以持續經營為基礎的會計法。

肩負管治責任者負責監督貴集團的財務報告流程。



Independent Auditor's Report 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審核綜合財務報表須承擔的責任

我們的目標為合理確定此等綜合財務報表整體而言不會存在由於欺詐或錯誤而導致的重大錯誤陳述，並發出載有我們意見的核數師報告。我們根據委聘的協定條款僅向閣下整體報告，不作其他用途。我們並不就本報告的內容對任何其他人士承擔任何義務或接受任何責任。合理確定屬高層次的核證，惟根據香港審計準則進行的審核工作不能保證總能察覺所存在的重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，倘個別或整體在合理預期情況下可影響使用者根據該等綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

在根據香港審計準則進行審核的過程中，我們在整個審核中運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險、設計及執行審核程序以應對該等風險，以及獲取充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或凌駕內部監控的情況，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部監控，以設計適當的審核程序，惟並非旨在對貴集團內部監控的有效性發表意見。
- 評估董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。



Independent Auditor's Report 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

核數師就審核綜合財務報表須承擔的責任(續)

- 對董事採用持續經營會計基礎的恰當性作出結論，並根據所獲取的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。倘我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。倘有關披露不足，則修訂我們意見。我們結論乃基於截至核數師報告日期止所取得的審核憑證。然而，未來事項或情況可能導致貴集團無法持續經營。
- 評估綜合財務報表的整體呈報方式、結構及內容，包括披露資料，以及綜合財務報表是否中肯反映相關交易和事項。
- 就貴集團內實體或業務活動的財務資料獲取充足及適當的審核憑證，以便對綜合財務報表發表意見。我們負責集團審核的方向、監督和執行。我們為審核意見承擔全部責任。

我們與肩負管治責任者就(其中包括)審核的計劃範圍、時間安排及重大審核發現溝通，該等發現包括我們在審核過程中識別的內部監控的任何重大缺失。

我們亦向肩負管治責任者作出聲明，指出我們已符合有關獨立性的相關道德要求，並與彼等溝通可能被合理認為會影響我們獨立性的所有關係及其他事宜，以及相關防範措施(如適用)。



Independent Auditor's Report 獨立核數師報告

**AUDITOR'S RESPONSIBILITIES FOR THE
AUDIT OF THE CONSOLIDATED FINANCIAL
STATEMENTS** (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is LUNG, Wing Hung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2018

**核數師就審核綜合財務報表須承擔的
責任(續)**

從與肩負管治責任者溝通的事項中，我們釐定對本期綜合財務報表的審核最為重要的事項，因而構成關鍵審核事項。我們在核數師報告中描述該等事項，除非法律或法規不允許公開披露該等事項，或在極端罕見的情況下，倘合理預期在我們報告中溝通某事項造成的負面後果超出產生的公眾利益，則我們決定不應在報告中傳達該事項。

出具獨立核數師報告的審核項目合夥人為LUNG, Wing Hung, David。

德勤•關黃陳方會計師行
執業會計師
香港
二零一八年三月二十六日



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

綜合損益及其他全面收益表

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

		NOTES 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Revenue	收入	5	4,783,801	4,862,311
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前的銷售成本		(3,352,957)	(3,258,127)
Raw milk fair value adjustments included in cost of sales	計入銷售成本的原料奶公平值調整	7/21	(1,228,046)	(1,116,860)
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損	21	(868,337)	(1,058,928)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	於原料奶收穫時按公平值減銷售成本初始確認產生的收益	21	1,228,046	1,116,860
Other income	其他收入	6	51,832	69,860
Selling and distribution costs	銷售及分銷開支		(372,602)	(786,929)
Administrative expenses	行政開支		(356,486)	(274,210)
Share of loss of an associate	應佔一間聯營公司虧損		(205)	(1,616)
Other gains and losses, net	其他收益及虧損淨額	7	(531,097)	125,554
Other expenses	其他開支	6	(20,428)	(94,324)
Loss before finance costs and tax	除融資成本及稅項前虧損	7	(666,479)	(416,409)
Finance costs	融資成本	8	(328,395)	(368,582)
Loss before tax	除稅前虧損		(994,874)	(784,991)
Income tax credit (expense)	所得稅抵免(開支)	9	27	(504)
Loss and total comprehensive expense for the year	年內虧損及全面開支總額		(994,847)	(785,495)
Loss and total comprehensive expense for the year attributable to:	以下各方年內應佔虧損及全面開支總額：			
Owners of the Company	本公司持有人		(975,116)	(742,103)
Non-controlling interests	非控股權益		(19,731)	(43,392)
			(994,847)	(785,495)
Loss per share (RMB)	每股虧損(人民幣)	13		
Basic	基本		(16.19) cents分	(13.99) cents分
Diluted	攤薄		(16.19) cents分	(13.99) cents分



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

As at 31 December 2017 於二零一七年十二月三十一日

		NOTES 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	14	4,698,736	5,075,030
Land use rights	土地使用權	15	125,802	126,679
Goodwill	商譽	16	1,424,539	1,424,539
Interest in an associate	於一間聯營公司的權益	17	–	1,887
Available-for-sale equity investment	可供出售股權投資	18	12,934	24,955
Biological assets	生物資產	21	7,751,070	7,602,959
			14,013,081	14,256,049
CURRENT ASSETS	流動資產			
Inventories	存貨	22	848,635	980,515
Trade and other receivables and advanced payments	應收貿易賬款及其他應收款項以及預付款項	23	1,022,069	1,348,480
Land use rights	土地使用權	15	4,106	4,012
Other financial assets	其他金融資產	19	31,704	11,236
Pledged bank balances and non-pledged bank deposits	已質押銀行結餘及未質押銀行存款	24	131,467	356,624
Cash and bank balances	現金及銀行結餘	24	666,519	851,788
			2,704,500	3,552,655
CURRENT LIABILITIES	流動負債			
Trade and other payables	應付貿易賬款及其他應付款項	25	2,019,466	2,781,727
Tax payable	應課稅項		2	57
Bank borrowings – due within one year	銀行借款 – 於一年內到期	26	1,564,228	3,278,325
Short-term debentures	短期債券	27	–	799,425
Medium-term notes	中期票據	28	1,198,922	–
Other borrowings – due within one year	其他借款 – 於一年內到期	30	1,103,799	38,527
Other financial liabilities	其他金融負債	20	–	927,058
			5,886,417	7,825,119
NET CURRENT LIABILITIES	流動負債淨額		(3,181,917)	(4,272,464)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債		10,831,164	9,983,585



Consolidated Statement of Financial Position 綜合財務狀況表

As at 31 December 2017 (continued) 於二零一七年十二月三十一日(續)

		NOTES 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
CAPITAL AND RESERVES	資本及儲備			
Share capital	股本	32	526,058	452,959
Share premium and reserves	股份溢價及儲備	32	6,443,064	6,568,554
Equity attributable to owners of the Company	本公司持有人應佔權益		6,969,122	7,021,513
Non-controlling interests	非控股權益		119,307	101,383
			7,088,429	7,122,896
NON-CURRENT LIABILITIES	非流動負債			
Bank borrowings – due after one year	銀行借款 – 於一年後到期	26	1,913,029	607,500
Medium-term notes	中期票據	28	599,458	1,796,605
Corporate bonds	公司債券	29	1,045,761	249,020
Other borrowings – due after one year	其他借款 – 於一年後到期	30	–	36,962
Deferred income	遞延收入	31	184,487	170,602
			3,742,735	2,860,689
			10,831,164	9,983,585

The consolidated financial statements on pages 130 to 273 were approved and authorised for issue by the board of directors on 26 March 2018 and are signed on its behalf by:

載於第130至273頁的綜合財務報表於二零一八年三月二十六日經董事會批准及授權刊發並代表簽署：

LU Minfang
盧敏放
Director
董事

GAO Lina
高麗娜
Director
董事



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

		Attributable to owners of the Company 本公司持有人應佔									
		Share capital	Share premium	Other reserve	Share options reserve	Share award reserve	Shares held under the Share Award Scheme 股份獎勵計劃項下 所持有的股份	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
				(note 32) (附註32)	(note 33(a)) (附註33(a))	(note 33(b)) (附註33(b))	(notes 32 and 33(b)) (附註32及33(b))				
Balance at 1 January 2016	於二零一六年一月一日的結餘	452,959	3,292,068	1,585,752	75,078	-	-	2,376,040	7,781,897	168,135	7,950,032
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	-	(742,103)	(742,103)	(43,392)	(785,495)
Share purchase for the share award scheme (note 33(b))	就股份獎勵計劃的股份購買(附註33(b))	-	-	-	-	-	(61,424)	-	(61,424)	-	(61,424)
Recognition of equity-settled share-based payment (note 33(a))	確認按股權結算以股份支付的付款(附註33(a))	-	-	-	43,143	-	-	-	43,143	-	43,143
Transfer due to forfeiture of share options after vesting	因歸屬後沒收購股權而轉撥	-	-	-	(1,015)	-	-	1,015	-	-	-
Dividend paid to non-controlling interests	派付予非控股權益的股息	-	-	-	-	-	-	-	-	(25,200)	(25,200)
Capital contribution from non-controlling interests	非控股權益出資	-	-	-	-	-	-	-	-	1,840	1,840
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	452,959	3,292,068	1,585,752	117,206	-	(61,424)	1,634,952	7,021,513	101,383	7,122,896
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	-	(975,116)	(975,116)	(19,731)	(994,847)
Shares issued for settlement of contingent considerations (note 20)	就結算或然代價而發行的股份(附註20)	43,157	807,037	-	-	-	-	-	850,194	-	850,194
Shares issued for acquisition of non-controlling interest (note 34(a))	就收購非控股權益而發行的股份(附註34(a))	29,942	541,961	(565,297)	-	-	-	-	16,606	(14,807)	1,799
Deemed acquisition of non-controlling interests (note 34(b))	視作收購非控股權益(附註34(b))	-	-	(50,502)	-	-	-	-	(50,502)	50,502	-
Share purchase for the share award scheme (note 33(b))	就股份獎勵計劃的股份購買(附註33(b))	-	-	-	-	-	(713)	-	(713)	-	(713)
Recognition of equity-settled share-based payment transactions (notes 33(a) and 33(b))	確認按股權結算以股份支付的付款交易(附註33(a)及33(b))	-	-	-	92,623	14,517	-	-	107,140	-	107,140
Transfer due to cancellation of share options (note 33(a))	因註銷購股權而轉撥(附註33(a))	-	-	-	(204,543)	-	-	204,543	-	-	-
Capital contribution from non-controlling interests	非控股權益出資	-	-	-	-	-	-	-	-	1,960	1,960
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	526,058	4,641,066	979,953	5,286	14,517	(62,137)	864,379	6,969,122	119,307	7,088,429



CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

	NOTES 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
OPERATING ACTIVITIES	經營活動		
Loss before tax	除稅前虧損	(994,874)	(784,991)
Adjustments for:	就以下作調整：		
Depreciation of property, plant and equipment charged to profit or loss	計入損益的物業、廠房及設備折舊	7 344,722	318,736
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	7 -	69,061
Impairment loss on trade and other receivables	應收貿易賬款及其他應收款項的減值虧損	7 495,381	1,589
Write-down of inventories to net realisable value	將存貨撇減至可變現淨值	7 -	9,701
Impairment loss on available-for-sale ("AFS") equity investment	可供出售(「可供出售」)權益投資減值虧損	7 12,021	-
Impairment loss on goodwill	商譽減值虧損	7 -	16,955
Release of land use rights	土地使用權解除	7 4,106	4,658
Bank interest income	銀行利息收入	6 (8,166)	(15,322)
Government grants credited to income	入賬於收入的政府補貼	6 (17,844)	(41,741)
Finance costs	融資成本	8 328,395	368,582
Share of loss of an associate	應佔一間聯營公司虧損	205	1,616
Loss (gain) on disposal/deemed disposal of interest in an associate	出售/視作出售聯營公司權益的虧損(收益)	7 239	(1,462)
Fair value loss (gain) on foreign currency forward	外匯遠期的公平值虧損(收益)	7 1,949	(11,236)
Fair value gain from contingent considerations	或然代價公平值收益	7 -	(228,540)
Fair value loss from settlement of contingent considerations	結算或然代價所得公平值虧損	7/20 15,361	-
Loss from disposal of inventories	出售存貨虧損	7 5,134	-
Loss from disposal of property, plant and equipment	出售物業、廠房及設備的虧損	7 11,268	7,257
Gains on derecognition of financial liabilities	取消確認金融負債所得收益	7 (57)	(303)
Net foreign exchange (gain) loss from borrowings	來自借款的外匯(收益)虧損淨額	(13,580)	11,660
Equity-settled share option expense	就按股權結算的購股權開支	7 92,623	43,143
Share award expense	股份獎勵開支	7 14,517	-
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損	21 868,337	1,058,928
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	1,159,737	828,291
Decrease (increase) in inventories	存貨減少(增加)	100,667	(112,772)
Increase in trade and other receivables and advanced payments	應收貿易賬款及其他應收款項以及預付款項增加	(182,836)	(348,448)
(Decrease) increase in trade and other payables	應付貿易賬款及其他應付款項(減少)增加	(576,683)	770,967
Cash generated from operations	業務產生的現金	500,885	1,138,038
Income tax paid	已付所得稅	(28)	(728)
NET CASH FROM OPERATING ACTIVITIES	經營活動所得現金淨額	500,857	1,137,310



Consolidated Statement of Cash Flows 綜合現金流量表

For the year ended 31 December 2017 (continued) 截至二零一七年十二月三十一日止年度(續)

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
	NOTES 附註		
INVESTING ACTIVITIES	投資活動		
Interest received	已收取利息	8,716	16,537
Purchases of property, plant and equipment	購入物業、廠房及設備	(387,941)	(404,231)
Investment in an associate	於一間聯營公司的投資	-	(1,920)
Proceeds from liquidation of an associate	對一間聯營公司清盤的 所得款項	1,443	-
Addition in biological assets	生物資產增置	(1,215,777)	(1,347,733)
Addition in pledged bank balances	已質押銀行結餘增加	(112,244)	(124,874)
Release of pledged bank balances	已質押銀行結餘解除	120,651	183,664
Addition in non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月的 無抵押銀行存款增加	(15,000)	(231,750)
Release of non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月的 無抵押銀行存款解除	231,750	350,202
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備 所得款項	15,849	5,284
Purchases of land use rights	購買土地使用權	(3,323)	(10,984)
Proceeds from disposal of dairy cows	出售乳牛所得款項	434,254	525,878
Settlement of cash portion of contingent considerations	結算或然代價現金 部分	(92,099)	-
Net cash received from foreign currency forward	外匯遠期所收取 現金淨額	9,287	-
Government grants received	已獲取政府補貼	31,729	70,519
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用現金淨額	(972,705)	(969,408)



Consolidated Statement of Cash Flows 綜合現金流量表

For the year ended 31 December 2017 (continued) 截至二零一七年十二月三十一日止年度(續)

	NOTES 附註	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
FINANCING ACTIVITIES	融資活動		
Interest paid	已付利息	(340,468)	(257,275)
New bank borrowings raised	新籌得銀行借款	3,350,066	3,443,611
Repayment of bank borrowings	借款償還款項	(3,711,270)	(5,216,697)
Proceeds from issue of short-term debentures	發行短期債券所得款項	500,000	1,300,000
Proceeds from medium-term notes	中期票據所得款項	–	1,600,000
Proceeds from corporate bond	公司債券所得款項	800,000	250,000
Proceeds from other borrowings	其他借款所得款項	1,105,400	96,250
Payment of transaction cost for bank borrowings, short-term debentures, medium-term notes and corporate bond	支付銀行借款、短期債券及中期票據及公司債券的交易成本	(40,939)	(9,825)
Repayment of short-term debentures	短期債券償還款項	(1,300,000)	(900,000)
Repayment of other borrowings	償還其他借款	(79,257)	(20,761)
Payment for repurchase of ordinary shares	購回普通股的付款	(713)	(61,424)
Dividends paid to non-controlling interests	派付予非控股權益的股息	–	(25,200)
Capital contribution from non-controlling interests	非控股權益出資	1,960	1,840
Cash acquired from acquisition of non-controlling interests	收購非控股權益的所得現金	1,800	–
	34(a)		
NET CASH FROM FINANCING ACTIVITIES	融資活動所得現金淨額	286,579	200,519
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物(減少)增加淨額	(185,269)	368,421
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	年初的現金及現金等價物	851,788	483,367
CASH AND CASH EQUIVALENTS AT END OF YEAR, Represented by cash and bank balances	年末的現金及現金等價物， 以現金及銀行結餘呈列	666,519	851,788



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

1. GENERAL AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

China Modern Dairy Holdings Ltd. (the “Company”) is a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”). As at 31 December 2017, China Mengniu Dairy Co., Ltd. (“Mengniu”) and its wholly owned subsidiary together owned 60.76% of the issued share capital of the Company.

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

The 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 preparation of consolidated financial statements

In preparation of the consolidated financial statements for the year ended 31 December 2017, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity of the Group in light of that the Group incurred a net loss of RMB994,847,000 for the year ended 31 December 2017 (2016: RMB785,495,000) and, as of that date, the Group’s current liabilities exceeded its total current assets by RMB3,181,917,000 (2016: RMB4,272,464,000). Having considered the available credit facilities of approximately RMB6,306,479,000 which remains unutilised as at 31 December 2017, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1. 一般及綜合財務報表的編製基準

中國現代牧業控股有限公司(「本公司」)為一間有限公司，其股份於二零一零年十一月二十六日在香港聯合交易所有限公司(「聯交所」)主板上市。本公司的註冊辦事處位於 Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands。本公司主要營業地點則位於中華人民共和國(「中國」)安徽省馬鞍山市經濟技術開發區。於二零一七年十二月三十一日，中國蒙牛乳業有限公司(「蒙牛」)及其全資附屬公司共同擁有本公司已發行股本的60.76%。

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

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

綜合財務報表的編製基準

在編製截至二零一七年十二月三十一日止年度的綜合財務報表時，鑒於本集團於截至二零一七年十二月三十一日止年度產生虧損淨額人民幣994,847,000元(二零一六年：人民幣785,495,000元)及截至該日本集團的流動負債超出其流動資產總值人民幣3,181,917,000元(二零一六年：人民幣4,272,464,000元)，本公司董事(「董事」)已審慎考慮本集團的未來流動資金狀況。經考慮截至二零一七年十二月三十一日的可供動用信貸融資約人民幣6,306,479,000元並未動用，董事信納，於可見將來，本集團將能夠於財務責任到期應付時悉數償還有關款項。因此，綜合財務報表根據持續經營基準編製。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**(a) Amendments to IFRSs that are mandatorily effective for the current year**

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to IFRSs 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.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balance of these items is provided in note 37. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 37, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)**(a) 於本年度強制生效的國際財務報告準則的修訂**

本集團於本年度首次應用以下國際財務報告準則的修訂。

國際會計準則 第7號的修訂	披露主動性
國際會計準則 第12號的修訂	就未變現虧損確認遞延稅項資產
國際財務報告 準則第12號 的修訂	作為國際財務報告 準則年度改進(二零 一四年至二零一六年 週期)的一部分

除下文所述者外，於本年度應用國際財務報告準則的修訂並無對本集團本年度及過往年度的財務表現及狀況及／或該等綜合財務報表所載列的披露資料構成重大影響。

國際會計準則第7號披露主動性的修訂

本集團已於本年度首次應用該等修訂。該等修訂規定實體披露能讓財務報表使用者評估融資活動引起的負債變動，包括現金變動及非現金變動。此外，該等修訂亦規定，當該等金融資產的現金流量已經或其未來現金流量將會計入融資活動的現金流量時，實體須披露有關金融資產的變動。

具體而言，該等修訂規定披露下列各項：(i)來自融資現金流量的變動；(ii)來自取得或失去附屬公司或其他業務的控制權的變動；(iii)外幣匯率變動的影響；(iv)公平值變動；及(v)其他變動。

該等項目的期初及期末結餘之間的對賬載於附註37。為與該等修訂的過渡條文一致，本集團並無披露過往年度的比較資料。除附註37的額外披露外，應用該等修訂並無對本集團的綜合財務報表造成影響。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)**(b) New and revised IFRSs in issue but not yet effective**

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle ²

1. Effective for annual periods beginning on or after 1 January 2018
2. Effective for annual periods beginning on or after 1 January 2019
3. Effective for annual periods beginning on or after a date to be determined
4. Effective for annual periods beginning on or after 1 January 2021

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則**

本集團並無提早應用以下已頒佈惟尚未生效的新訂及經修訂國際財務報告準則：

國際財務報告準則第9號	金融工具 ¹
國際財務報告準則第15號	客戶合約收入及相關修訂 ¹
國際財務報告準則第16號	租賃 ²
國際財務報告準則第17號	保險合約 ⁴
國際財務報告詮釋委員會詮釋第22號	外幣交易及預付代價 ¹
國際財務報告詮釋委員會詮釋第23號	所得稅不確定性的處理 ²
國際財務報告準則第2號的修訂	以股份為基礎的付款交易的分類及計量 ¹
國際財務報告準則第4號的修訂	適用國際財務報告準則第9號金融工具及國際財務報告準則第4號保險合約 ¹
國際財務報告準則第9號的修訂	具有負補償的提前還款特性 ²
國際財務報告準則第10號及國際會計準則第28號的修訂	投資者與其聯營公司或合營公司之間的資產銷售或投入 ³
國際會計準則第19號的修訂	計劃修訂、縮減或清償 ²
國際會計準則第28號的修訂	於聯營公司及合營企業的長期權益 ²
國際會計準則第40號的修訂	轉讓投資物業 ¹
國際會計準則第28號的修訂	作為國際財務報告準則年度改進(二零一四年至二零一六年週期)的一部分 ¹
國際財務報告準則的修訂	國際財務報告準則年度改進(二零一五年至二零一七年週期) ²

1. 於二零一八年一月一日或之後開始的年度期間生效
2. 於二零一九年一月一日或之後開始的年度期間生效
3. 於待定期或之後開始的年度期間生效
4. 於二零二一年一月一日或之後開始的年度期間生效



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2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)**(b) New and revised IFRSs in issue but not yet effective (continued)**

Except for the new IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of IFRS 9 are required to be 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 items that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting 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.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)**

除下述新訂國際財務報告準則外，董事預期應用所有其他新訂及經修訂國際財務報告準則及詮釋於可見將來不會對綜合財務報表造成重大影響。

國際財務報告準則第9號金融工具

國際財務報告準則第9號就金融資產及金融負債的分類及計量以及金融資產的一般對沖會計處理及減值要求引入新規定。

其中有關本集團國際財務報告準則第9號的主要規定如下：

所有屬國際財務報告準則第9號範疇內的已確認金融資產其後須按攤銷成本或公平值計量。具體而言，於目的為收回合約現金流量的業務模式中持有的債務投資，及合約現金流量僅為償還本金及尚未償還本金利息的債務投資，一般按其後會計期間結束時的攤銷成本計量。於目的為同時收回合約現金流量及出售金融資產的業務模式中持有的債務工具，及合約條款令於特定日期產生的現金流量僅為償還本金及尚未償還本金利息的債務工具，一般按公平值計入其他全面收入(「按公平值計入其他全面收入」)的方式計量。所有其他金融資產則按其後會計期間的公平值計量。此外，根據國際財務報告準則第9號，實體可作出不可撤回的選擇以於其他全面收入內呈列股權投資(並非持作買賣)公平值其後的變動，而僅有股息收入一般於損益中確認。



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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)**

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 Financial Instruments: Recognition and Measurement. 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement

- Debt instruments classified as loan and receivables carried at amortised cost as disclosed in note 23, these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. The Directors do not expect that the Group will continue to accept bills receivable as settlement of trade receivables in the future. Accordingly these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)****國際財務報告準則第9號金融工具(續)**

就金融資產減值而言，與國際會計準則第39號金融工具：確認及計量項下按已產生信貸虧損模式計算相反，國際財務報告準則第9號規定按預期信貸虧損模式計算。預期信貸虧損模式規定實體於各報告日期將預期信貸虧損及該等預期信貸虧損的變動入賬，以反映信貸風險自初始確認以來的變動。換言之，毋須再待發生信貸事件即可確認信貸虧損。

根據本集團於二零一七年十二月三十一日的金融工具和風險管理政策，董事預期首次應用國際財務報告準則第9號的潛在影響如下：

分類及計量

- 分類為貸款及應收款項的債務工具如附註23所披露按攤銷成本列賬，乃於目的為收回合約現金流量的業務模式中持有，僅為償還本金及尚未償還本金利息。董事預期，本集團日後將不會繼續接受應收票據作為應收貿易賬款的結算方式。因此，於應用國際財務報告準則第9號後，該等金融資產其後將繼續按攤銷成本計量。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

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)***Classification and measurement (continued)*

- Equity securities classified as AFS equity investment carried at cost less impairment as disclosed in note 18: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. At 31 December 2017, the Group performed an impairment assessment and recorded an impairment loss of RMB12,021,000, therefore the Directors consider the fair value of the AFS equity investment of the Group approximate its carrying value at 1 January 2018 and no fair value adjustment would be made to the Group's investment revaluation reserve at 1 January 2018 upon initial application of IFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)****國際財務報告準則第9號金融工具(續)***分類及計量(續)*

- 分類為可供出售投資的股本證券按成本減減值列賬，誠如附註18所披露：根據國際財務報告準則第9號，該等證券合資格指定為按公平值計入其他全面收入的方式計量。本集團將於其後報告期末按公平值計量該等證券，並將公平值收益或虧損確認為其他全面收入，於投資重估儲備累計。於二零一七年十二月三十一日，本集團已進行一次減值評估，錄得減值虧損人民幣12,021,000元，因此董事認為，本集團可供出售投資公平值與其於二零一八年一月一日的賬面值相若，因此，初步應用國際財務報告準則第9號後，不會對本集團於二零一八年一月一日的投資重估儲備作出公平值調整。
- 所有其他金融資產及金融負債將繼續按目前根據國際會計準則第39號進行計量的相同基準計量。



Notes to the Consolidated Financial Statements 綜合財務報表附註

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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)***Impairment*

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subjects to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers and the related Amendments

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.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)****國際財務報告準則第9號金融工具(續)**
減值

一般而言，董事預期應用國際財務報告準則第9號的預期信貸虧損模式將導致本集團於應用國際財務報告準則第9號後，就其按攤銷成本計量的金融資產及其他須計提減值撥備的項目尚未產生的信貸虧損提前計提撥備。

根據董事的評估，倘若本集團須應用預期信貸虧損模式，則本集團於二零一八年一月一日將予確認的累計減值虧損金額將較根據國際會計準則第39號確認的累計金額增加，主要是由於應收貿易賬款及其他應收款項的預期信貸虧損撥備所致。按預期信貸虧損模式確認的進一步減值將減少於二零一八年一月一日的期初保留盈利。

國際財務報告準則第15號客戶合約收入及相關修訂

國際財務報告準則第15號獲頒佈，確立一項單一全面的模式，以供實體對來自客戶合約之收入入賬時使用。國際財務報告準則第15號生效後，將取代現時收入確認指引，包括國際會計準則第18號收入、國際會計準則第11號建築合約及相關詮釋。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

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 and the related Amendments (continued)**

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.

In 2016, the IASB issued clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)****國際財務報告準則第15號客戶合約收入及相關修訂(續)**

國際財務報告準則第15號的核心原則為實體所確認的收入應指明為向客戶轉移經承諾的商品或服務，金額則反映實體預期就交換該等商品或服務而有權獲得的代價。具體而言，該項準則引入有關收入確認的5步模式：

- 第1步：識別與客戶訂立的合約
- 第2步：識別合約內的履約責任
- 第3步：釐定交易價格
- 第4步：將交易價格分配至合約內的履約責任
- 第5步：於或當實體達成履約責任時確認收入

根據國際財務報告準則第15號，於或當實體達成履約責任時確認收入，即當與特定履約責任相關的商品或服務的「控制權」轉移予客戶時。國際財務報告準則第15號已加入更為明確的指引以處理特定情況。此外，國際財務報告準則第15號要求更為廣泛的披露。

於二零一六年，國際會計準則理事會就國際財務報告準則第15號的識別履約責任、主體對代理代價以及發牌申請指引作出澄清。

董事預期，日後應用國際財務報告準則第15號可能導致更多披露，然而，董事預期應用國際財務報告準則第15號不會對各報告期間確認收入的時間及金額產生重大影響。



Notes to the Consolidated Financial Statements 綜合財務報表附註

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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 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments for land use rights as investing cash flows while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)****國際財務報告準則第16號租賃**

國際財務報告準則第16號為識別出租人及承租人的租賃安排及會計處理引入一項綜合模式。國際財務報告準則第16號生效時將取代國際會計準則第17號租賃及其相關詮釋。

國際財務報告準則第16號以顧客能否控制識別資產來區分租賃及服務合約。除短期租賃及低價值資產租賃外，經營及融資租賃的差異自承租人會計處理中移除並由承租人須就所有租賃將予確認使用權資產及相對應負債的模式取代。

使用權資產初始按成本計量並隨後按成本(根據若干例外情況)減累計折舊及減值虧損計量，就任何租賃負債重新計量而調整。租賃負債初始按當日尚未支付的租賃款項的現值計量。隨後，租賃負債就利息及租賃款項調整，以及(其中包括)租賃修訂的影響。就現金流分類而言，本集團目前將土地使用權提前預付租賃款項呈列為投資現金流量，而其他經營租賃付款呈列為經營現金流量。應用國際財務報告準則第16號後，有關租賃負債的租賃款項將由本集團分配至呈列為融資現金流量的本金及利息的部分。



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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 16 Leases** (continued)

Under IAS 17, the Group has already recognised an asset for prepaid lease payments for land use rights where the Group is a lessee. The Group's prepaid lease payments cover the entire lease terms of the respective land use rights. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Upon application of IFRS 16, assessing whether the transfer of the assets is a sale under sale and leaseback transaction will be based on the requirements of IFRS 15 Revenue from Contracts with Customers.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments as lessee of RMB11,893,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, upon the application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

2. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)**(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則(續)****國際財務報告準則第16號租賃(續)**

根據國際會計準則第17號，本集團已就本集團為承租人的土地使用權預付租賃款項確認一項資產。本集團的預付租賃款項涵蓋相關土地使用權的整個租賃期限。應用國際財務報告準則第16號可能導致該等資產分類潛在變動，視乎本集團是否分開呈列使用權資產或在將呈列相應相關資產(倘擁有)的相同項目內呈列。

應用國際財務報告準則第16號後，評估轉讓銷售中資產作銷售及租回交易是否將根據國際財務報告準則第15號客戶合約收入規定進行。

此外，國際財務報告準則第16號要求作出詳盡披露。

於二零一七年十二月三十一日，本集團作為承租人擁有不可撤銷經營租賃承擔人民幣11,893,000元(如附註40所披露)。初步評估顯示此等安排符合國際財務報告準則第16號項下租賃的定義，應用國際財務報告準則第16號後，本集團將確認一項使用權資產及有關所有該等租賃相對應的負債，惟符合低價值或短期租賃資格則作別論。

此外，應用新規定可能導致上文列示的計量、呈列及披露有變。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

3. 重要會計政策

綜合財務報表已按國際會計準則理事會頒佈的國際財務報告準則編製。此外，綜合財務報表包括香港聯合交易所有限公司證券上市規則（「上市規則」）及香港公司條例所規定的適當披露。

綜合財務報表乃根據歷史成本基準編製，惟 (i)按公平值減銷售成本計量的生物資產；及 (ii)按公平值計入損益（「按公平值計入損益」）的金融工具按各報告期末的公平值計量，詳情於下文所載會計政策中說明。

歷史成本一般以為換取商品及服務所支付代價的公平值為基準。

公平值為市場參與者於計量日期在有序交易中出售資產可能收取或轉讓負債可能支付的價格，不論該價格是否直接觀察可得或使用另一種估值技術估計。估計資產或負債的公平值時，本集團考慮了市場參與者在計量日期為該資產或負債進行定價時將會考慮的資產或負債特徵。在該等綜合財務報表中計量及／或披露的公平值均在此基礎上予以確定，惟國際財務報告準則第2號以股份支付的付款範圍內的以股份支付的付款交易、國際會計準則第17號租賃範圍內的租賃交易及與公平值類似但並非公平值的計量（例如，國際會計準則第2號存貨中的可變現淨值或國際會計準則第36號資產減值中的使用價值）除外。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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. 重要會計政策(續)

非金融資產的公平值計量計入市場參與者透過使用其資產的最高及最佳用途或透過將資產出售予將使用其最高及最佳用途的另一名市場參與者而能夠產生經濟利益的能力。

就以公平值轉讓的金融工具而言，使用不可觀察輸入數據的估值技術將於隨後期間用於計量公平值，估值技術予以校準，因此估值技術所得結果與交易價相等。

此外，就財務呈報而言，公平值計量根據公平值計量的輸入數據可觀察程度及輸入數據對公平值計量的整體重要性分類為第一級、第二級及第三級，載述如下：

- 第一級輸入數據是實體於計量日期可以取得的相同資產或負債於活躍市場的報價(未經調整)；
- 第二級輸入數據是就資產或負債可直接或間接觀察的輸入數據(第一級內所包含的報價除外)；及
- 第三級輸入數據是資產或負債的不可觀察輸入數據。

主要會計政策載於下文。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. 重要會計政策(續)**綜合基準**

綜合財務報表載有本公司以及由本公司及其附屬公司控制的實體(包括結構性實體)的財務報表。倘屬以下情況，則本公司獲得控制權：

- (i) 可對被投資者行使權力；
- (ii) 因參與被投資者的業務而可獲得或有權獲得可變回報；及
- (iii) 有能力藉行使其權力而影響該等回報。

倘有事實或情況顯示上述三項控制因素中，有一項或以上出現變數，本集團會重新評估其是否控制被投資者。

本集團於獲得附屬公司控制權時將附屬公司綜合入賬，並於失去附屬公司控制權時終止入賬。具體而言，於年內購入或出售的附屬公司的收入及開支，自本集團獲得控制權當日起至本集團失去附屬公司控制權當日止，計入綜合損益及其他全面收益表內。

損益及各項其他全面收入項目歸屬於本公司擁有人及非控股權益。附屬公司的全面收入總額歸屬於本公司持有人及非控股權益，即使這將導致非控股權益出現虧絀結餘。

如有需要，將會就附屬公司的財務報表作出調整，使其會計政策與本集團的會計政策貫徹一致。

集團內的所有資產、負債、權益、收入、開支及與本集團成員公司間的交易相關的現金流量已於綜合賬目時全額抵銷。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Basis of consolidation (continued)**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) 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 (or group of cash-generating units) 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 (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. 重要會計政策(續)**綜合基準(續)****本集團於現有附屬公司的所有權權益出現變動**

本集團於現有附屬公司的所有權權益出現變動，但並無導致本集團失去該等附屬公司的控制權，因此以權益交易入賬。本集團權益有關成分與非控股權益的賬面值均予以調整，以反映其於附屬公司的相關權益的變動（包括根據本集團及非控股權益的權益比例將有關儲備在本集團與非控股權益中重新歸屬）。

非控股權益所調整的款額與所付或所收代價的公平值兩者之間的差額，直接於權益確認並歸屬於本公司擁有人。

商譽

業務收購所產生的商譽按收購業務當日確定的成本減累計減值虧損(如有)列賬。

就減值測試而言，商譽分配予預期會因合併的協同效益而受惠的本集團各現金產生單位(或現金產生單位組別)，其指就內部管理目的監控商譽的最低水平且不超過經營分部。

每年及當單位出現可能減值跡象時更頻密地對獲分配商譽的現金產生單位(或現金產生單位組合)進行減值測試。就於某一報告期間自收購所產生的商譽而言，已獲分配商譽的現金產生單位(或現金產生單位組合)於該報告期末之前進行減值測試。倘若現金產生單位的可收回金額低於其賬面值，則分配有關減值虧損，以減少該單位已獲分配的任何商譽的賬面值，再按該單位(或現金產生單位組合)每項資產的賬面值比例分配至該單位的其他資產。商譽的任何減值虧損直接於損益中確認，且就商譽確認的減值虧損不會於往後期間撥回。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. 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 an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's 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 the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

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. 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 of disposal) 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.

3. 重要會計政策(續)**於聯營公司的投資**

聯營公司為本集團擁有重大影響力的實體。重大影響力為可參與被投資者的財政及營運政策決定而非對該等政策施加控制或共同控制。

聯營公司的業績及資產以及負債採用權益會計法計入該等綜合財務報表。權益會計法所用聯營公司的財務報表按本集團於類似情況下就同類交易及事件採用的一致會計政策編製。根據權益法，於聯營公司的投資初步按成本於綜合財務狀況表確認，並於其後就確認本集團分佔聯營公司損益及其他全面收入作出調整。該聯營公司資產淨值(損益及其他全面收入除外)變動不予入賬，除非該等變動導致本集團持有的所有權出現變動。當本集團分佔聯營公司的虧損超出本集團於該聯營公司的權益(包括實質上構成本集團於聯營公司的投資淨額一部分的任何長期權益)時，本集團終止確認其分佔的進一步虧損。僅於本集團已產生法定或推定責任，或已代表聯營公司支付款項的情況下，方會確認額外虧損。

於聯營公司的投資乃自被投資者成為聯營公司當日起採用權益法入賬。

國際會計準則第39號的規定用以釐定是否需要就本集團於聯營公司的投資確認任何減值虧損。如有需要，投資(包括商譽)的全部賬面值乃根據國際會計準則第36號資產減值作為單獨資產，通過比較可收回金額(即使用價值及公平值減出售成本的較高者)與賬面值進行減值測試。任何確認的減值虧損屬投資賬面值的一部分。減值虧損的任何撥回乃按國際會計準則第36號確認，惟僅限於投資的可收回金額隨後增加。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investment in an associate (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, 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. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate.

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Interest income 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. 重要會計政策(續)**於聯營公司的投資(續)**

當本集團不再對聯營公司有重大影響力，則按出售該被投資者的全部權益入賬，而所產生的盈虧將於損益內確認。當本集團保留前身聯營公司的權益且保留權益屬國際會計準則第39號範圍內的一項金融資產，則本集團於該日按公平值計量保留權益而公平值被視為其初始確認時的公平值。聯營公司的賬面值與任何保留權益的公平值及出售聯營公司相關權益的任何所得款項之間的差額乃於釐定出售聯營公司收益或虧損時入賬。

當集團實體與本集團的聯營公司進行交易時，與該聯營公司進行交易而產生的損益僅在聯營公司權益與本集團無關的情況下，方會於本集團的綜合財務報表中確認。

收入確認

收入按正常業務過程中出售貨品的已收或應收代價的公平值計量，並扣除貼現及銷售相關稅項。

收入於其金額能可靠地計量、未來經濟利益將有可能流入本集團及本集團各項業務的指定條件得以達成時確認，如下所述。

所產牛奶的銷售收入於牛奶送遞且所有權發生轉移時確認。

利息收入乃參照未償還本金按適用的實際利率按時間基準計算，有關利率指於初步確認時將金融資產的估計未來現金收入在預期可使用年期內準確貼現至資產賬面淨值的比率。

本集團有關確認經營租賃收入的會計政策，於以下租賃會計政策中載述。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leasing

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

- the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- the primary reason for the arrangement is not to convey the right to use an asset; and
- an option is included on terms that make its exercise almost certain.

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

Operating lease payments, including the cost of acquiring land held under operating lease, are recognised as an expense on a straight-line basis over the lease term.

Land use rights

Land use rights represent the Group's prepaid lease payments for leasehold interest in land. The Group assesses the classification of the leased land as a finance lease or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of the leased land have been transferred to the Group. Based on such assessment, the Group's land use rights are accounted for as operating lease. Land use rights 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.

3. 重要會計政策(續)**租賃**

在下列情況下，涉及租賃法律形式的安排實質上並未按租賃列賬：

- 本集團保留相關資產所有權的所有風險及回報，並享有與安排前實質上相同的使用權；
- 作出安排的主要原因並非移轉資產的使用權；及
- 附加選擇權的條款使得該選擇權幾乎一定會被行使。

凡租賃條款將所有權的絕大部分風險與回報轉讓予承租人者均屬融資租賃。所有其他租賃則分類為經營租賃。

集團作為承租人

經營租賃付款(包括收購經營租賃項下持有的土地的成本)於租賃期按直線法確認為開支。

土地使用權

土地使用權指本集團就土地租賃權益的預付租賃款項。本集團根據對租賃土地擁有權附帶的絕大部分風險及回報是否已轉讓予本集團的評估，將租賃土地的分類評定為融資租賃或經營租賃。根據有關評定，本集團的土地使用權作為經營租賃入賬。土地使用權按成本列賬並以直線法於租賃期內解除。將於未來十二個月或以內解除的土地使用權分類為流動資產。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Foreign currencies

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) 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 translation 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 or loss in the period in which they are incurred.

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.

3. 重要會計政策(續)**外幣**

編製個別實體的財務報表時，以該實體的功能貨幣以外的貨幣(外幣)所進行的交易乃按交易日期的當時匯率入賬。於各報告期末，以外幣計值的貨幣項目乃按該日當時匯率重新換算。以外幣計值並按公平值入賬的非貨幣項目於釐定公平值之日以當時匯率重新換算。以外幣按歷史成本計量的非貨幣項目則不予重新換算。

結算及換算貨幣項目產生的匯兌差額，於其產生期間在損益中確認。

借款成本

收購、興建或生產合資格資產(必須以一段長時間準備以作擬定用途或銷售)的直接應佔借款成本計入該等資產的成本，直至資產基本可作擬定用途或銷售時為止。

特定借款用於合資格資產開支前作臨時性投資所賺取的投資收益，於合資格撥充資本的借款成本中扣除。

所有其他借款成本均於產生期間內在損益中確認。

政府補貼

政府補貼在合理保證本集團將符合其所附帶條件以及將獲發補貼時方會予以確認。

與生物資產有關的補貼

與按公平值減銷售成本計量的生物資產相關的無條件政府補貼於且僅於可收取政府補貼時於損益中確認。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Government grants (continued)**Other grants**

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 profit or loss in the period in which they become receivable.

Where government grant takes the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the Group, the non-monetary asset and the grant are recorded at a nominal amount.

Retirement benefit costs

Payments to defined contribution retirement benefit 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. 重要會計政策(續)**政府補貼(續)****其他補貼**

政府補貼按系統基準於本集團確認補貼擬補償的相關成本為開支的各期間在損益內確認。具體而言，主要條件為本集團應購買、興建或以其他方法收購非流動資產的政府補貼於綜合財務狀況表確認為遞延收入，然後在有關資產的可用年期內有系統及合理地轉撥至損益。

用作補償已產生開支或虧損或旨在為本集團提供即時資助(而無未來相關成本)的應收政府補貼，於應收期間於損益中確認。

倘政府補貼採取轉讓可供本集團使用的非貨幣資產(如土地或其他資源)的形式授出，則該項非貨幣資產及補貼乃按名義金額入賬。

退休福利成本

向中國國家管理的退休福利計劃項下定額供款退休福利所作的供款於僱員已提供可使其享有供款的服務時作為開支扣除。

短期僱員福利

短期僱員福利按於及當僱員提供服務時預計將支付福利的未貼現金額確認。所有短期僱員福利確認為開支，除非另一項國際財務報告準則要求或允許將有關福利納入資產成本，則作別論。

在扣除已經支付的任何金額後，對僱員應得的福利(例如工資及薪金、年假及病假)確認負債。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payment arrangements**Equity-settled share-based payment transactions***Share options and award shares granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration of all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve or share award reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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 the share option reserve or share award reserve.

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

When the award shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares included in equity under the heading of shares held under the share award scheme is reversed and the differences arising from the reversal is adjusted to retained earnings.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied):

- the entity shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.
- any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense.

3. 重要會計政策(續)**以股份支付的付款安排****按股權結算以股份支付的付款交易***授予僱員的購股權及獎勵股份*

授予僱員的按股權結算以股份支付的付款乃按授出日期權益工具的公平值計量。

於授出日期未計及所有非市場歸屬條件而釐定的按股權結算以股份支付的付款的公平值於歸屬期內根據本集團對將最終歸屬權益工具的估計以直線法支銷，並增加相應的權益(購股權儲備)。於各報告期末，本集團根據對所有相關非市場歸屬條件的評估，修訂其對預期歸屬的權益工具的估計數目。修訂原先估計的影響(如有)在損益中確認以使累計開支反映經修訂的估計，並對購股權儲備作出相應調整。

於購股權獲行使時，先前在購股權儲備中確認的金額將轉撥至股份溢價。倘購股權於歸屬日期後被沒收或於到期日仍未獲行使，先前在購股權儲備中確認的金額將轉撥至保留盈利。

於獎勵股份歸屬時，撥回先前於股份獎勵儲備確認的金額及計入根據股份獎勵計劃持有的股份項下權益的相關庫存股份金額，且撥回產生的差額調整至保留盈利。

倘權益工具的授出於歸屬期內被註銷或結算(未滿足歸屬條件時被沒收而註銷的授出除外)：

- 實體將註銷或結算作為加速歸屬進行會計處理，並因此將立即於剩餘的歸屬期內確認本應確認為所接獲的服務的金額。
- 任何向僱員作出的付款於有關授出註銷或結算時將作為購回股權入賬(即從權益中扣除)，惟倘該款項超過所授出權益工具的公平值，則於購回日期計量。任何有關超額將確認為開支。



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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 the amounts 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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.

3. 重要會計政策(續)**稅項**

所得稅支出指即期應付稅項及遞延稅項總和。

即期應付稅項按年內應課稅溢利計算。由於不包括其他年度的應課稅或可扣稅收入或開支項目，亦不包括毋須課稅或不可扣稅的項目，故應課稅溢利與綜合損益及其他全面收益表所列款項不同。本集團的即期稅項負債按報告期末已頒佈或實際上已頒佈稅率計算。

遞延稅項按綜合財務報表內資產及負債賬面值與計算應課稅溢利所用相應稅基之間的暫時差額確認。遞延稅項負債一般就所有應課稅暫時差額確認。遞延稅項資產一般按可能有應課稅溢利用作扣減可動用可扣減暫時差額為限，就所有該等可扣減暫時差額確認。倘若暫時差額由不影響應課稅溢利或會計溢利的交易中初次確認(業務合併除外)資產及負債所產生，則不會確認該等遞延稅項資產及負債。此外，倘暫時差額乃因初次確認商譽而產生，亦不會確認遞延稅項負債。

遞延稅項負債乃就與附屬公司及聯營公司投資有關的應課稅暫時差額確認，惟倘本集團能夠控制暫時差額的撥回及暫時差額於可見將來可能不會撥回則除外。

遞延稅項資產的賬面值於報告期末進行檢討，並扣減至不再有足夠應課稅溢利可供收回全部或部分資產。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Taxation (continued)

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.

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 for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (classified as construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

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.

3. 重要會計政策(續)**稅項(續)**

遞延稅項負債及資產按預期於結算負債或變現資產期間適用的稅率計量。所根據的稅率(及稅法)乃於報告期末已頒佈或已實際頒佈。

遞延稅項負債及資產的計量反映本集團預期於報告期末將要收回其資產或結算其負債賬面值的方式所產生的稅務後果。

即期及遞延稅項於損益中確認。

物業、廠房及設備

物業、廠房及設備(除在建工程外)包括為生產或供應貨品或行政用途而持有的樓宇,按成本減其後累積折舊及累積減值虧損(如有)於綜合財務狀況表內列賬。

就生產、供應或行政用途而在建築的物業(分類為在建工程)按成本減任何已確認減值虧損入賬。成本包括專業費用及就符合資格的資產根據本集團會計政策資本化的借款成本。該等物業於完工後並達到預期用途時被劃分為適當的物業、廠房及設備類別。與其他物業資產一樣,當該等資產達到預期用途時開始折舊。

折舊的確認旨在於估計可使用年期內按直線法撇銷物業、廠房及設備項目(不包括在建工程)的成本減該等項目的剩餘價值。估計可使用年期、剩餘價值及折舊方法於報告期末作檢討,按預測基準計入任何估計變動的影響。

任何物業、廠房及設備項目在出售時或預期繼續使用資產不會有未來經濟利益時終止確認。出售產生的任何收益或虧損按出售所得款項與資產賬面值之間的差額釐定,並於損益中確認。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the assets is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

3. 重要會計政策(續)**有形資產減值**

於報告期末，本集團檢討其有形資產的賬面值，以釐定該等資產是否出現任何減值虧損跡象。倘有任何此跡象存在，則估計相關資產的可收回金額，以釐定減值虧損(如有)的程度。

倘無法單獨估計個別資產的可收回金額，本集團會估計該資產所屬現金產生單位的可收回金額。倘可識別一個合理及一致的分配基準，則公司資產亦會分配至個別現金產生單位，或以其他方式分配至可識別一個合理及一致的分配基準的最小組別現金產生單位。

可收回金額為公平值減出售成本及使用價值兩者中的較高者。評估使用價值時，估計未來現金流量按除稅前貼現率貼現至其現值，而該貼現率反映當時市場對貨幣時間值及該項資產(或現金產生單位)(其未來現金流量的估計尚未經調整)特殊風險的評估。

倘估計資產(或現金產生單位)的可收回金額低於其賬面值，則資產(或現金產生單位)的賬面值將扣減至其可收回金額。分配減值虧損時，減值虧損首先會分配以減低任何商譽(如適用)的賬面值，然後再基於單位中各項資產的賬面值按比例分配至其他資產。資產的賬面值不能扣減至低於公平值減出售成本(如可計量)、使用價值(如可釐定)與零三者間之較高者。應分配至該等資產的減值虧損金額則按比例分配至單位的其他資產。減值虧損即時於損益中確認。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on tangible assets (continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Biological assets

The Group's biological assets comprise 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 feeding costs and other related costs including staff costs, depreciation charge, utility costs and consumables incurred for raising of heifers and calves are capitalised, until such time as the heifers and calves begin to produce milk.

Agricultural produce

Agricultural produce represents raw milk. Raw milk is recognised at the point of harvest at its fair value less costs to sell. A gain or loss arising from agricultural produce at the point of harvest measuring at fair value less costs to sell is included in profit or loss for the period in which it arises.

3. 重要會計政策(續)**有形資產減值(續)**

凡減值虧損於其後撥回，資產(或現金產生單位)的賬面值將增至經修訂的估計可收回金額，惟增加後的賬面值不得超過於過往年度內假設資產(或現金產生單位)並無確認減值虧損而釐定的賬面值。減值虧損的撥回即時於損益中確認。

存貨

存貨乃按成本與可變現淨值兩者中的較低者列賬。成本使用加權平均法計算。可變現淨值指存貨估計售價減所有估計完成成本及出售所需成本。

生物資產

本集團的生物資產由乳牛組成。乳牛(包括奶牛、小母牛及小牛)於初步確認時及報告期末按公平值減銷售成本計量，任何所得收益或虧損於產生年度於損益中確認。

飼養成本及其他相關成本(包括飼養小母牛及小牛所產生的員工成本、折舊開支、水電成本及消費品成本)予以資本化，直至小母牛及小牛開始產奶。

農產品

農產品指原料奶。原料奶於獲取時按公平值減銷售成本確認。獲取時按公平值減銷售成本計量的農產品產生的收益或虧損於其產生期間計入損益內。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 FVTPL) are added to or deducted from the fair 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, AFS financial assets 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

3. 重要會計政策(續)

金融工具

金融資產及金融負債於一間集團實體成為工具合約條文訂約方時確認。

金融資產及金融負債初步按公平值計量。收購或發行金融資產及金融負債(按公平值計入損益的金融資產或金融負債除外)直接應佔的交易成本於初步確認時於金融資產或金融負債(如適用)的公平值中加入或減去。收購按公平值計入損益的金融資產或金融負債直接應佔的交易成本即時於損益中確認。

金融資產

本集團的金融資產分為以下特定類別：按公平值計入損益的金融資產、可供出售金融資產以及貸款及應收款項。分類取決於金融資產的性質及目的，並於初步確認時釐定。

實際利率法

實際利率法乃計算債務工具攤銷成本以及於有關期間分配利息收入的方法。實際利率乃按債務工具的預計年期或(如適用)較短期間將估計未來現金收入(包括構成實際利率不可或缺部分的一切已付或已收費用及積分、交易成本及其他溢價或折讓)準確貼現至初步確認時賬面淨值的利率。

利息收入按債務工具的實際利率予以確認。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)**Financial assets (continued)***Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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.

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 includes any dividend or interest earned on the financial assets and is included in the “other gains and losses, net” line item. Fair value is determined in the manner described in note 38.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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, non-pledged bank deposits and cash and bank balances) are measured 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 where the recognition of interest would be immaterial.

3. 重要會計政策(續)**金融工具(續)****金融資產(續)***按公平值計入損益的金融資產*

倘金融資產屬於(i)持作買賣或(ii)獲指定為按公平值計入損益時，金融資產分類為按公平值計入損益。

倘屬以下情況，金融資產分類為持作買賣：

- 收購金融資產的主要目的為於短期內出售；或
- 於初步確認時，其為本集團整體管理的已識別金融工具組合的一部分，並具有短期賺取利潤的近期實際模式；或
- 其屬並非指定及有效作為對沖工具的衍生工具。

按公平值計入損益的金融資產按公平值列賬，而重新計量產生的任何收益或虧損於損益中確認。於損益確認的收益或虧損淨額包括就金融資產賺取的任何股息或利息，並計入「其他收益及虧損淨額」項下。公平值以附註38所述方式釐定。

可供出售金融資產

可供出售金融資產為指定為可供出售或不屬於(a)貸款及應收款項，(b)持有至到期投資或(c)按公平值計入損益的金融資產類別的非衍生工具。

於活躍市場並無市場報價及公平值無法可靠計量的可供出售權益投資於各報告期末按成本減任何已識別減值虧損計量。

貸款及應收款項

貸款及應收款項為有固定或可釐定付款款額但並無於活躍市場內報價的非衍生金融資產。於初步確認後，貸款及應收款項(包括應收貿易賬款及其他應收款項、已抵押銀行結餘、無抵押銀行存款以及現金及銀行結餘)採用實際利率法按攤銷成本減任何減值計量。

利息收入使用實際利率確認，惟短期應收款項(所確認的利息微不足道)除外。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)**Financial assets (continued)***Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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 30 to 360 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. 重要會計政策(續)**金融工具(續)****金融資產(續)***金融資產減值*

金融資產(按公平值計入損益的金融資產除外)於各報告期末評估減值跡象。若有客觀證據證明金融資產於初步確認後發生一項或多項事件而導致金融資產的估計未來現金流量受到影響，則金融資產視為出現減值。

就貸款及應收款項而言，減值的客觀證據可包括：

- 發行人或對手方遇到嚴重財務困難；或
- 違約，例如拖欠或延遲支付利息及本金；或
- 借款人有可能破產或進行財務重組。

應收款項組合的客觀減值證據可包括本集團的過往收款經驗、組合內超逾30至360日信貸期延遲付款的次數增加，以及與應收款項拖欠有關的全國或地方經濟狀況明顯改變。

就按攤銷成本列賬的金融資產而言，已確認的減值虧損金額為資產賬面值與按金融資產的原實際利率貼現的估計未來現金流量現值的差額。

就按成本列賬的金融資產而言，減值虧損金額按資產賬面值與按類似金融資產現時的市場回報率貼現的估計未來現金流量現值的差額計量。有關減值虧損不會於其後期間撥回。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)**Financial assets (continued)***Impairment of financial assets (continued)*

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.

For financial assets measured at amortised cost, 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.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. 重要會計政策(續)**金融工具(續)****金融資產(續)***金融資產減值(續)*

就所有金融資產而言，金融資產的賬面值乃根據減值虧損直接扣減，惟應收貿易賬款及其他應收款項的賬面值乃利用撥備賬目扣減。撥備賬目賬面值的變動於損益中確認。倘應收貿易賬款及其他應收款項被視為無法收回，則於撥備賬目中撇銷。此前撇銷的款項其後收回者計入損益。

就按攤銷成本計量的金融資產而言，倘於其後期間，減值虧損的金額出現減少，而當該減少情況可客觀地與確認減值虧損後所發生的事件相關連，則先前確認的減值虧損將透過損益撥回，惟該項資產於撥回減值當日的賬面值不得超出倘未確認減值的攤銷成本。

金融負債及權益

由集團實體發行的債務及權益工具乃根據合約安排的實質及金融負債與權益工具的定義分類為金融負債或權益。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)**Financial liabilities and equity (continued)***Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 and 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 other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

3. 重要會計政策(續)**金融工具(續)****金融負債及權益(續)***權益工具*

權益工具指證明在扣除所有負債後本集團於資產的剩餘權益的任何合約。本公司發行的權益工具按扣除直接發行成本後的已收所得款項確認。

購回本公司本身的權益工具直接於權益內確認及扣減。不會於損益內就購買、出售、發行或註銷本公司本身的權益工具確認任何收益或虧損。

實際利率法

實際利率法乃計算金融負債的攤銷成本以及於有關期間分配利息開支的方法。實際利率乃按金融負債的預計年期或(如適用)較短期間將估計未來現金付款(包括構成實際利率不可或缺部分的一切已付或已收費用及積分、交易成本及其他溢價或折讓)準確貼現至初步確認時賬面淨值的利率。

利息開支按實際利率法確認，惟分類為按公平值計入損益的金融負債除外，該等金融負債的利息開支計入收益或虧損淨額。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)**Financial liabilities and equity (continued)***Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, (ii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 Business Combinations applies.

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.

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 includes any interest paid on the financial liabilities and is included in the “other gains and losses, net” line item except for that the net gain or loss of the Group’s interest rate swap is recognised in “finance costs” line item. Fair value is determined in the manner described in note 38.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank and other borrowings, short-term debentures, medium-term notes and corporate bonds are subsequently measured at amortised cost, using the effective interest method.

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.

3. 重要會計政策(續)**金融工具(續)****金融負債及權益(續)***按公平值計入損益的金融負債*

倘金融負債屬(i)持作買賣；(ii)收購公司可能支付的或然代價(作為國際財務報告準則第3號業務合併適用的業務合併的一部分)，則金融負債分類為按公平值計入損益。

倘屬以下情況，金融負債分類為持作買賣：

- 收購金融負債的主要目的為於短期內購回；或
- 於初步確認時，其為本集團整體管理的已識別金融工具組合的一部分，並具有短期賺取利潤的近期實際模式；或
- 其屬並非指定及有效作為對沖工具的衍生工具。

按公平值計入損益的金融負債按公平值計量，而重新計量產生的任何收益或虧損於損益中確認。於損益確認的收益或虧損淨額包括就金融負債所付任何利息，並計入「其他收益及虧損淨額」項下，惟本集團利率掉期的收益或虧損淨額於「融資成本」項下確認除外。公平值以附註38所述方式釐定。

按攤銷成本計量的金融負債

金融負債(包括應付貿易賬款及其他應付款項、銀行及其他借款、短期債券、中期票據及公司債券)其後使用實際利率法按攤銷成本計量。

衍生金融工具

衍生工具於訂立衍生工具合約時初步按公平值確認，其後於報告期末重新計量公平值，所產生的收益或虧損即時計入損益。



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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)**Derecognition**

The Group derecognises a financial asset only 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 to another entity. If the Group retains substantially all the risks and rewards of a transferred financial asset, the Group continues to recognise the financial assets and also the associated financial liabilities.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modifications are accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed, is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. 重要會計政策(續)**金融工具(續)****取消確認**

本集團僅於從資產收取現金流量的合約權利已到期，或金融資產已轉讓及本集團已將金融資產所有權的絕大部分風險及回報轉移予另一實體時，取消確認金融資產。倘本集團保留已轉讓金融資產的絕大部分風險及回報，則本集團繼續確認金融資產及相關金融負債。

於取消確認金融資產時，資產賬面值與已收及應收代價的差額於損益中確認。

金融負債於及僅於本集團的責任獲解除、取消或到期時取消確認。取消確認的金融負債賬面值與已付及應付代價的差額乃於損益中確認。

當金融負債的合約條款被修訂以致經修訂條款將導致原條款出現大幅修訂，計及所有相關事實及情況(包括定性因素)後，有關修訂按取消確認原金融負債及確認新金融負債進行處理。取消確認的金融負債的賬面值與已付或應付代價(包括所承擔的任何負債)的公平值之間的差額於損益中確認。

抵銷金融工具

倘現時有可執行法定權利可抵銷已確認金額，且有意按淨額基準結算或同時變現資產及結算負債，則金融資產與金融負債相互抵銷及淨額於財務狀況表內呈報。



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4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

Fair value measurements of biological assets

The Group's biological assets are measured at fair value less costs to sell at the end of each reporting period. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of biological assets. For heifers and calves, the fair value is determined based on the 14 months old heifers' local market selling prices and adjusted by estimated feeding costs for heifers and calves older or younger than 14 months. For milkable cows, the fair value is determined by using the multi-period excess earning method with key inputs including the discount rate, the estimated feed costs per kilogram of raw milk, estimated average daily milk yield at each lactation cycle and the estimated local future market price of raw milk. Any changes in the inputs may affect the fair value of the Group's biological assets significantly. The carrying amount of the Group's biological assets as at 31 December 2017 was RMB7,751,070,000 (2016: RMB7,602,959,000). Further details are given in notes 21 and 38.

4. 估計不確定性的主要來源

於應用本集團的會計政策(於附註3論述)時，董事須就資產及負債不易由其他來源得出的賬面值作出判斷、估計及假設。估計及有關假設乃基於過往經驗及被認為屬相關的其他因素作出。實際結果可能與該等估計有所不同。

估計及相關假設會持續進行檢討。倘對會計估計的修訂僅影響對估計作出修訂的期間，則於修訂有關估計的期間內確認，或倘修訂對當前及未來期間均有影響，則於修訂期間及未來期間確認。

於報告期末，極有可能導致下一個財政年度的資產及負債賬面值出現重大調整的涉及未來的主要假設及估計不確定性的其他主要來源如下。

生物資產的公平值計量

本集團的生物資產於各報告期末按公平值減銷售成本計量。於估計生物資產的公平值時，本集團採用包括並非根據可觀察市場數據的輸入數據的估計方法。就小母牛及小牛而言，公平值乃根據14個月大的小母牛本地市場售價而釐定，並經大於或小於14個月的小母牛及小牛的估計飼養成本調整。就成乳牛而言，公平值乃使用多期超額收益法及關鍵輸入數據(包括貼現率、每千克原奶的估計飼養成本、各哺乳週期的估計平均每日產奶量及原奶的估計本地未來市價)釐定。輸入數據的任何變動均可能顯著影響本集團生物資產的公平值。於二零一七年十二月三十一日，本集團生物資產的賬面值為人民幣7,751,070,000元(二零一六年：人民幣7,602,959,000元)。進一步詳情載於附註21及38。



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4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is based on its value in use calculation. 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. Where the actual future cash flows are less than expected or when there is a downward revision to the estimated future cash flows due to changes in facts and circumstances, further impairment loss may arise.

As at 31 December 2017, the carrying amount of goodwill was RMB1,424,539,000 (2016: RMB1,424,539,000), net of accumulated impairment loss of RMB111,347,000 (2016: RMB111,347,000). Details of the recoverable amount calculation are disclosed in note 16.

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at original effective interest rate of the trade receivables. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a further impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivables was RMB897,380,000, net of allowance for doubtful debts of RMB495,167,000 (2016: carrying amount of RMB1,216,017,000, net of allowance for doubtful debts of RMB1,589,000).

4. 估計不確定性的主要來源(續)

商譽的估計減值

釐定商譽是否減值須對獲分配商譽的現金產生單位的可收回款項(按使用價值計算)作出估計。使用價值計算要求本集團估計預期產生自現金產生單位的未來現金流量及合適的貼現率以計算現值。倘實際的未來現金流量低於預期或由於事實及情況變動而對估計的未來現金流量作下調修訂時，則可能會出現進一步的減值虧損。

於二零一七年十二月三十一日，商譽的賬面值為人民幣1,424,539,000元(二零一六年：人民幣1,424,539,000元)，扣除累計減值虧損人民幣111,347,000元(二零一六年：人民幣111,347,000元)。有關可收回款項計算的詳情於附註16中披露。

應收貿易賬款的估計減值

倘存在減值虧損的客觀證據，則本集團考慮估計未來現金流量。減值虧損金額以資產賬面值與按貿易應付款項的原先實際利率貼現的估計未來現金流量現值(不包括未產生的未來信貸虧損)之間的差額計量。倘未來現金流量低於預期或由於事實及情況變動而作下調修訂時，則可能會出現進一步的減值虧損。於二零一七年十二月三十一日，應收貿易賬款的賬面值為人民幣897,380,000元，扣除呆賬撥備人民幣495,167,000元(二零一六年：賬面值為人民幣1,216,017,000元，扣除呆賬撥備人民幣1,589,000元)。



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4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**Estimated impairment of trade receivables** (continued)

As disclosed in note 23, the Group discontinued its direct cooperation with certain major distributors, following a change in distribution channel during 2017. The Group reported trade receivables of RMB1,069,543,000 due from these distributors as at 31 December 2017 which had been overdue. The Group performed an impairment assessment on such receivables and recognised an impairment loss of RMB488,489,000 at 31 December 2017 after taking into account of the fair value of the collaterals and the estimated repayments. Details of the impairment assessment are set out in note 23.

5. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the “CODM”) for the purposes of resources allocation and assessment of segment performance focuses on the type of goods delivered. No operating segment has been aggregated in arriving at the operating and reportable segments of the Group.

Specifically, the Group’s operating and reportable segments under IFRS 8 Operating Segments are as follows:

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

4. 估計不確定性的主要來源(續)**應收貿易賬款的估計減值(續)**

誠如附註23所披露，本集團於二零一七年改變分銷渠道後已終止其與若干主要分銷商的合作。於二零一七年十二月三十一日，本集團錄得應收該等分銷商的應收貿易賬款人民幣1,069,543,000元，有關款項已逾期。本集團就有關應收款項進行減值評估，並經計及抵押品及估計償還款項的公平值後，於二零一七年十二月三十一日確認減值虧損人民幣488,489,000元。有關減值評估的詳情載於附註23。

5. 分部資料

就資源分配及評估分部表現而向主要營運決策人(「主要營運決策人」)呈報的資料專注於所交付貨品的類型。在確定本集團的經營及可呈報分部時，並無合併任何經營分部。

具體而言，本集團根據國際財務報告準則第8號經營分部劃分的經營及可呈報分部如下：

- 奶牛養殖－飼養奶牛用以生產及銷售原料奶。
- 液態奶產品－生產及銷售加工液態奶。



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5. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities

5. 分部資料(續)

分部收入、業績、資產及負債

		Dairy farming 奶牛養殖 RMB'000 人民幣千元	Liquid milk products 液態奶產品 RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	Inter-segment elimination* 內部間抵銷* RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
For the year ended 31 December 2017	截至二零一七年十二月三十一日止年度					
Segment revenue	分部收入	4,399,358	664,609	5,063,967	(280,166)	4,783,801
Segment cost of sales before raw milk fair value adjustments	原料奶公平值調整前的分部銷售成本	3,031,208	604,629	3,635,837	(282,880)	3,352,957
Reportable segment profit (loss)	可呈報分部溢利(虧損)	791,894	(727,560)	64,334	2,714	67,048
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損					(868,337)
Share of loss of an associate	應佔一間聯營公司的虧損					(205)
Unallocated other income	未分配其他收入					898
Unallocated other gains and losses	未分配其他收益及虧損					(34,372)
Unallocated expenses	未分配開支					(159,906)
Loss before tax	除稅前虧損					(994,874)
As at 31 December 2017	於二零一七年十二月三十一日					
Segment assets	分部資產	14,761,917	893,749	15,655,666	(6,682)	15,648,984
Unallocated assets	未分配資產					1,068,597
Consolidated assets	合併資產					16,717,581
Segment liabilities	分部負債	8,661,962	934,280	9,596,242	(1,027)	9,595,215
Unallocated liabilities	未分配負債					33,937
Consolidated liabilities	合併負債					9,629,152

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

* 內部間抵銷指乳牛養殖分部向液態奶產品分部銷售原料奶與相關流動賬目的抵銷。

Segment revenue of dairy farming segment included inter-segment revenue of RMB280,166,000, which are charged at internally agreed prices with reference to the local market prices between dairy farming segment and liquid milk products segment.

乳牛養殖分部的分部收入包括內部間收入人民幣280,166,000元，乃按乳牛養殖分部與液態奶產品分部之間經參考地方市價的內部商定價格收取。



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5. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities (continued)

5. 分部資料(續)

分部收入、業績、資產及負債(續)

		Dairy farming 奶牛養殖 RMB'000 人民幣千元	Liquid milk products 液態奶產品 RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	Inter-segment elimination* 內部間抵銷* RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
For the year ended 31 December 2016	截至二零一六年十二月三十一日止年度					
Segment revenue	分部收入	3,988,043	1,478,744	5,466,787	(604,476)	4,862,311
Segment cost of sales before raw milk fair value adjustments	原料奶公平值調整前的分部銷售成本	2,763,230	1,099,127	3,862,357	(604,230)	3,258,127
Reportable segment profit (loss)	可呈報分部溢利(虧損)	501,238	(355,719)	145,519	(246)	145,273
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損					(1,058,928)
Share of loss of an associate	應佔一間聯營公司的虧損					(1,616)
Unallocated other income	未分配其他收入					10,577
Unallocated other gains and losses	未分配其他收益及虧損					229,228
Unallocated expenses	未分配開支					(109,525)
Loss before tax	除稅前虧損					(784,991)
As at 31 December 2016	於二零一六年十二月三十一日					
Segment assets	分部資產	16,153,073	1,894,221	18,047,294	(942,720)	17,104,574
Unallocated assets	未分配資產					704,130
Consolidated assets	合併資產					17,808,704
Segment liabilities	分部負債	8,847,228	1,804,468	10,651,696	(934,350)	9,717,346
Unallocated liabilities	未分配負債					968,462
Consolidated liabilities	合併負債					10,685,808

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

* 內部間抵銷指乳牛養殖分部向加工液態奶產品分部銷售原料奶與相關流動賬目的抵銷。

Segment revenue of dairy farming segment included inter-segment revenue of RMB604,476,000, which are charged at internally agreed prices with reference to the local market prices between dairy farming segment and liquid milk products segment.

乳牛養殖分部的分部收入包括內部間收入人民幣604,476,000元，乃按乳牛養殖分部與加工液態奶產品分部之間經參考地方市價的內部商定價格收取。



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5. SEGMENT INFORMATION (continued)**Other segment information**

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

5. 分部資料(續)**其他分部資料**

計量分部溢利或虧損或分部資產時計入的金額：

		Dairy farming 奶牛養殖 RMB'000 人民幣千元	Liquid milk products 液態奶產品 RMB'000 人民幣千元	Subtotal 小計 RMB'000 人民幣千元	Unallocated items 未分配項目 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
For the year ended 31 December 2017	截至二零一七年十二月 三十一日止年度					
Additions to non-current assets (note i)	非流動資產添置(附註i)	1,631,441	43,194	1,674,635	403	1,675,038
Depreciation and release of land use rights charged to profit or loss	計入損益的折舊及 土地使用權解除	273,349	73,578	346,927	1,901	348,828
Impairment loss of trade and other receivables recognised in profit or loss	於損益確認應收貿易 賬款及其他應收款項 的減值虧損	-	495,381	495,381	-	495,381
Marketing and promotion expenses included in selling and distribution costs (note ii)	計入銷售及分銷成本的 營銷及宣傳開支 (附註ii)	-	92,504	92,504	-	92,504
Loss on disposal of property, plant and equipment	出售物業、廠房及設備 的虧損	7,983	311	8,294	2,974	11,268
Interest income	利息收入	(819)	(196)	(1,015)	(7,151)	(8,166)
Finance costs	融資成本	322,103	6,292	328,395	-	328,395
For the year ended 31 December 2016	截至二零一六年十二月 三十一日止年度					
Additions to non-current assets (note i)	非流動資產添置(附註i)	1,790,846	87,584	1,878,430	1,527	1,879,957
Depreciation and release of land use rights charged to profit or loss	計入損益的折舊及 土地使用權解除	253,960	65,261	319,221	4,173	323,394
Impairment loss of trade receivables recognised in profit or loss	於損益確認的應收貿易 賬款減值虧損	1,589	-	1,589	-	1,589
Impairment loss on goodwill	商譽減值虧損	16,955	-	16,955	-	16,955
Impairment loss on property, plant and equipment	物業、廠房及設備減值 虧損	69,061	-	69,061	-	69,061
Write-down of inventories to net realisable value	存貨撇減至可變現淨值	9,701	-	9,701	-	9,701
Marketing and promotion expenses included in selling and distribution costs (note ii)	計入銷售及分銷成本的 營銷及宣傳開支 (附註ii)	-	507,731	507,731	-	507,731
Loss on disposal of property, plant and equipment	出售物業、廠房及設備 的虧損	5,861	411	6,272	985	7,257
Interest income	利息收入	(4,786)	(337)	(5,123)	(10,199)	(15,322)
Finance costs	融資成本	339,943	28,639	368,582	-	368,582



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5. SEGMENT INFORMATION (continued)**Other segment information** (continued)

Notes:

- i. Additions to non-current assets comprise biological assets, property, plant and equipment, and land use rights.
- ii. Marketing and promotion expenses are incurred for the purpose of promoting the Group's liquid milk products. The Group underwent a reform of its distribution networks to deal with the market competition during the year ended 31 December 2016. Since May 2017, the majority of the Group's liquid milk products were sold to Mengniu and its subsidiaries ("Mengniu Group") and no marketing activities were carried out thereafter.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit or loss represents the profit earned by or loss incurred from each segment without including loss arising from changes in fair value less costs to sell of dairy cows, fair value gains/losses from financial assets and liabilities at FVTPL, share of loss of an associate, corporate bank interest income, and other head office and corporate income and expenses that are not directly attributable to operating segments. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

- all assets are allocated to operating segments other than AFS equity investment, interest in an associate, corporate cash and bank balances, other financial assets and other head office and corporate assets; and
- all liabilities are allocated to operating and reportable segments other than tax payable, other financial liabilities and other head office or corporate liabilities

5. 分部資料(續)**其他分部資料**(續)

附註：

- i. 非流動資產添置包括生物資產、物業、廠房及設備以及土地使用權。
- ii. 營銷及宣傳開支乃因宣傳本集團液態奶產品而產生。截至二零一六年十二月三十一日止年度，本集團改良其分銷網絡以應對市場競爭。自二零一七年五月起，本集團大多數液態奶產品售予蒙牛公司及其附屬公司(「蒙牛集團」)且隨後並無開展營銷活動。

經營及可呈報分部的會計政策與附註3所載本集團會計政策相同。分部溢利或虧損指各分部賺取的溢利或產生的虧損，但不包括乳牛公平值變動減乳牛銷售成本產生的虧損、按公平值計入損益的金融資產及負債所產生的公平值收益／虧損、應佔一間聯營公司虧損、公司銀行利息收入及並非經營分部直接應佔的其他總部及公司收入及開支。此乃向主要營運決策人報告以作資源分配及分部表現評估的措施。

就監察分部表現及在分部間分配資源而言：

- 所有資產均分配至經營分部(惟可供出售股權投資、於一間聯營公司權益、公司現金及銀行結餘、其他金融資產以及其他總部及公司資產除外)；及
- 所有負債均分配至經營及可呈報分部(惟應付稅項、其他金融負債及其他總部或公司負債除外)



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

5. SEGMENT INFORMATION (continued)**Other segment information** (continued)**Revenue from major products**

The following is an analysis of the Group's revenue from its major products:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Raw milk	原料奶	4,119,192	3,383,567
Processed liquid milk	加工液態奶	664,609	1,478,744
		4,783,801	4,862,311

Geographic information

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

Information about major customers

Included in revenue arising from sales of raw milk to external customers of RMB4,119,192,000 (2016: RMB3,383,567,000) are revenue of approximately RMB3,304,833,000 (2016: RMB2,349,781,000) and RMB572,271,000 (2016: RMB62,204,000) which arose from sales to customer A and customer B. During the current year, the Group also sold liquid milk products of RMB239,307,000 (2016: nil) to customer A. No other single customer contributed 10% or more to the Group's revenue for each of the two years ended 31 December 2017.

5. 分部資料(續)**其他分部資料(續)****主要產品的收入**

本集團主要產品的收入分析如下：

地域資料

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

有關主要客戶的資料

外部客戶原奶銷售收入人民幣4,119,192,000元(二零一六年：人民幣3,383,567,000元)包括向客戶A及客戶B銷售產生的收入約人民幣3,304,833,000元(二零一六年：人民幣2,349,781,000元)及人民幣572,271,000元(二零一六年：人民幣62,204,000元)。於本年度，本集團亦向客戶A出售液態奶產品人民幣239,307,000元(二零一六年：零)。截至二零一七年十二月三十一日止兩個年度各年，並無其他單一客戶向本集團貢獻10%或以上收入。



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6. OTHER INCOME AND OTHER EXPENSES**Other income****6. 其他收入及其他開支****其他收入**

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Bank interest income	銀行利息收入	8,166	15,322
Government grants related to	就以下各項授出的政府補貼：		
– Biological assets (note i)	– 生物資產(附註i)	–	20,720
– Other assets (note 31)	– 其他資產(附註31)	17,844	21,021
– Income (note ii)	– 收入(附註ii)	19,714	10,238
		37,558	51,979
Others	其他	6,108	2,559
		51,832	69,860

Notes:

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

附註：

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



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6. OTHER INCOME AND OTHER EXPENSES

(continued)

Other expenses**6. 其他收入及其他開支(續)**

其他開支

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Loss from sales of milk powders (note)	出售奶粉虧損(附註)	9,081	71,956
Donation expenses	捐贈開支	1,733	8,456
Others	其他	9,614	13,912
		20,428	94,324

Note:

During the year ended 31 December 2017, the Group dehydrated some of its raw milk into milk powders which were intended for feeding calves. The Group sold the milk powders to third parties, resulting in a loss of RMB9,081,000 for the year ended 31 December 2017 (2016: RMB71,956,000), being the excess of the carrying value of the milk powders over the proceeds received.

附註：

截至二零一七年十二月三十一日止年度，本集團將部分原料奶脫水成為奶粉，擬用於飼養犏牛。本集團其後將其出售予第三方，導致截至二零一七年十二月三十一日止年度虧損人民幣9,081,000元（二零一六年：人民幣71,956,000元），即奶粉的賬面值高於所得款項的部分。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

7. LOSS BEFORE FINANCE COSTS AND TAX

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

7. 除融資成本及稅項前虧損

除融資成本及稅項前虧損乃扣除(計入)下列各項後計算得出：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前的銷售成本		
Breeding costs to produce raw milk	生產原料奶的養殖成本	2,828,951	2,339,029
Production costs for liquid milk products	液態奶產品的生產成本	524,006	919,098
		3,352,957	3,258,127
Gains arising on initial recognition of raw milk at fair value less cost to sell at the point of harvest	於收穫時按公平值減銷售成本初始確認原料奶產生的收益	1,228,046	1,116,860
		4,581,003	4,374,987
Other gains and losses:	其他收益及虧損：		
Fair value gain from contingent considerations (note 38)	或然代價所產生的公平值收益(附註38)	-	(228,540)
Loss from settlement of Modified Considerations (note 20)	結清經修訂代價的虧損(附註20)	15,361	-
Loss (gains) from disposal/deemed disposal of an associate	出售/視作出售一間聯營公司的虧損(收益)	239	(1,462)
Net foreign exchange (gain) loss	外匯(收益)虧損淨額	(10,199)	11,424
Loss from disposal of inventories	出售存貨虧損	5,134	-
Loss from disposal of property, plant and equipment	出售物業、廠房及設備虧損	11,268	7,257
Loss arising from closure of a dairy farm:	關閉牧場產生的虧損：		
Impairment loss on property, plant and equipment (note 14)	物業、廠房及設備減值虧損(附註14)	-	69,061
Write-down of inventories to net realisable value	存貨撇減至可變現淨值	-	9,701
		-	78,762
Impairment loss of trade and other receivables:	應收貿易賬款及其他應收款項減值虧損：		
Impairment loss on trade receivables (note 23)	應收貿易賬款減值虧損(附註23)	495,271	1,589
Impairment loss on other receivables	其他應收款項減值虧損	110	-
		495,381	1,589
Impairment loss on AFS equity investment (note 18)	可供出售股權投資減值虧損(附註18)	12,021	-
Impairment loss on goodwill	商譽減值虧損	-	16,955
Fair value loss (gain) on the foreign currency forward (note 19)	外匯遠期公平值虧損(收益)(附註19)	1,949	(11,236)
Gains on derecognition of financial liabilities	取消確認金融負債的收益	(57)	(303)
		531,097	(125,554)



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7. LOSS BEFORE FINANCE COSTS AND TAX 7. 除融資成本及稅項前虧損(續)

(continued)

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Depreciation of property, plant and equipment	物業、廠房及設備折舊	586,283	552,306
Less: capitalised in biological assets	減：生物資產資本化金額	(241,561)	(233,570)
Depreciation charged to profit or loss	計入損益的折舊	344,722	318,736
Equity-settled share option expense (note 33(a))	以股權結算的購股權開支 (附註33(a))	92,623	43,143
Share award expense (note 33(b))	股份獎勵開支(附註33(b))	14,517	-
Other employee benefits costs	其他僱員福利開支	478,750	449,382
Less: capitalised in biological assets	減：生物資產資本化金額	(113,903)	(121,616)
Employee benefits charged to profit or loss	計入損益的僱員福利	471,987	370,909
Auditors' remuneration	核數師酬金	2,700	5,000
Release of land use rights	土地使用權解除	4,106	4,658



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8. FINANCE COSTS

8. 融資成本

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Interest expenses on:	利息開支：		
Bank borrowings	銀行借款	162,453	230,012
Short-term debentures	短期債券	28,496	43,529
Medium-term notes	中期票據	93,675	71,624
Other borrowings	其他借款	25,588	5,112
Corporate bonds	公司債券	47,508	5,263
Total borrowing cost	借款成本總額	357,720	355,540
Less: amounts capitalised for construction of property, plant and equipment	減：有關建設物業、廠房及設備的資本化金額	(537)	(3,033)
Cost of discount of bills receivable	應收票據折讓成本	2,965	15,949
Fair value (gain) loss on interest rates swaps	利率掉期公平值(收益)虧損	(31,753)	126
		328,395	368,582

For the year ended 31 December 2017, the borrowing cost was capitalised based on the terms of the general bank borrowings in respect of construction in progress. The weighted average capitalisation rate on general borrowings is 5.46% per annum (2016: 5.46% per annum).

截至二零一七年十二月三十一日止年度，借款成本已就在建工程按一般銀行借款的條款資本化。一般借款的加權平均資本化比率為每年5.46%(二零一六年：每年5.46%)。



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9. INCOME TAX (CREDIT) EXPENSE

9. 所得稅(抵免)開支

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Income tax recognised in profit or loss:	於損益內確認的所得稅：		
Current tax:	即期稅項：		
The PRC Enterprise Income Tax	中國企業所得稅	156	504
Over provision in prior years:	過往年度超額撥備：		
The PRC Enterprise Income Tax	中國企業所得稅	(183)	-
		(27)	504

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.

The PRC subsidiaries are subject to the 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 Holdings Limited ("Aquitair") from Modern Farming (Group) Co., Ltd. ("Modern Farming"), a PRC subsidiary of the Group and the holding company of other PRC subsidiaries of the Group, is subject to Irish Income Tax at 25%. As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of Modern Farming was approximately RMB1,153,383,000 (31 December 2016: RMB1,562,974,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

稅項開支指按於中國成立的附屬公司的應課稅收入的現行稅率計算的中國所得稅。

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

來自本集團中國附屬公司兼本集團其他中國附屬公司的控股公司現代牧業(集團)有限公司(「現代牧業(集團)」)的Aquitair Holdings Limited(「Aquitair」)的股息收入須繳納25%的愛爾蘭所得稅。於二零一七年十二月三十一日，有關現代牧業(集團)未分派盈利的暫時差額總額約為人民幣1,153,383,000元(二零一六年十二月三十一日：人民幣1,562,974,000元)。概無就該等差額確認任何負債，原因是本集團可控制暫時差額的撥回時間，而該等差額將於可見未來可能不會撥回。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

9. INCOME TAX EXPENSE (continued)

According to the prevailing tax rules and regulation of the PRC, 18 subsidiaries (2016: 16 subsidiaries) of the Group are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the year ended 31 December 2017.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

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

9. 所得稅(抵免)開支(續)

根據中國現行稅務規則及法規，截至二零一七年十二月三十一日止年度本集團有18家附屬公司(二零一六年：16家附屬公司)於中國經營農業業務產生的應課稅溢利獲豁免繳納企業所得稅。

並無就香港稅項作出撥備，原因為本集團於香港並無產生收入亦無源自香港之收入。

以下是本年度稅項開支與綜合損益及其他全面收益表內除稅前虧損的對賬：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Loss before tax	除稅前虧損	(994,874)	(784,991)
Tax at applicable income tax rate at 25% (2016: 25%)	按適用所得稅稅率25%計算的稅項 (二零一六年：25%)	(248,719)	(196,248)
Effect of tax exemption granted to agricultural entities	農業實體免稅待遇的影響	(40,689)	(76,682)
Effect of losses incurred for agricultural business and other non-deductible expenses	農業業務產生虧損及其他不可扣稅開支的影響	249,422	121,007
Tax effect of tax losses not recognised	未確認稅項虧損的稅務影響	40,190	152,427
Utilisation of tax losses previously not recognised	動用過往未確認稅項虧損	(48)	-
Over provision in respect of prior years	過往年度之超額撥備	(183)	-
Income tax expense	所得稅開支	(27)	504

As at 31 December 2017, the Group's PRC subsidiaries had unused tax losses of RMB307,528,000 (31 December 2016: RMB146,963,000) incurred by non-agricultural business in the PRC. These unused tax losses as at 31 December 2017 will expire in year 2018 to year 2022 if not utilised. No deferred tax asset has been recognised in relation to such tax losses as it is not probable that taxable profit will be available against which the temporary differences can be utilised.

於二零一七年十二月三十一日，本集團的中國附屬公司就中國的非農業業務產生的未動用稅項虧損為人民幣307,528,000元(於二零一六年十二月三十一日：人民幣146,963,000元)。倘於二零一七年十二月三十一日該等未動用稅項虧損未獲動用，其將於二零一八年至二零二二年屆滿。由於可能不會獲得應課稅溢利而可動用暫時差額，因此並無就有關稅項虧損確認遞延稅項資產。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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

10. 董事及主要行政人員酬金

董事及主要行政人員酬金詳情如下：

		2017 二零一七年				
		Directors' fees	Salaries, allowances and benefits-in-kind	Equity-settled share option and share award expense	Retirement benefits scheme contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
			薪金、津貼及實物福利	按股權結算購股權及股份獎勵開支	退休福利計劃供款	總額
Executive directors	執行董事					
Ms. Gao Lina	高麗娜女士	-	2,412	9,656	25	12,093
Mr. Han Chunlin	韓春林先生	-	1,516	4,817	25	6,358
Non-executive directors	非執行董事					
Mr. Lu Minfang (note ii)	盧敏放先生(附註ii)	-	-	-	-	-
Mr. Wen yongping (note ii)	溫永平先生(附註ii)	-	-	-	-	-
Mr. Yu Xubo (note ii)	于旭波先生(附註ii)	-	-	-	-	-
Mr. Hui Chi Kin Max (note ii)	許志堅先生(附註ii)	-	-	-	-	-
Mr. Zhang Ping	張平先生	-	-	-	-	-
Mr. Sun Yugang (note iv)	孫玉剛先生(附註iv)	-	-	-	-	-
Mr. Wolhardt Julian Juul	Wolhardt Julian Juul先生	-	-	-	-	-
Independent non-executive directors	獨立非執行董事					
Professor Li Shengli	李勝利教授	200	-	-	-	200
Mr. Lee Kong Wai Conway	李港衛先生	208	-	-	-	208
Mr. Zou Fei (note ii)	鄒飛先生(附註ii)	50	-	-	-	50
Mr. Kang Yan	康龔先生	200	-	-	-	200
		658	3,928	14,473	50	19,109



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10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)**10. 董事及主要行政人員酬金(續)**

		2016 二零一六年				
		Salaries, allowances and benefits-in-kind	Equity-settled share option expense	Retirement benefits scheme contributions	Total	
		薪金、津貼及實物福利	按股權結算購股權開支	退休福利計劃供款	總額	
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	
Executive directors	執行董事					
Ms. Gao Lina	高麗娜女士	–	2,041	5,760	25	7,826
Mr. Han Chunlin	韓春林先生	–	1,231	4,126	25	5,382
Mr. Sun Yugang (note iv)	孫玉剛先生(附註iv)	–	375	3,057	8	3,440
Non-executive directors	非執行董事					
Mr. Yu Xubo	于旭波先生	–	–	–	–	–
Mr. Sun Yugang (note iv)	孫玉剛先生(附註iv)	–	–	–	–	–
Mr. Hui Chi Kin Max	許志堅先生	–	–	–	–	–
Mr. Wu Jingshui (note iii)	吳景水先生(附註iii)	–	–	–	–	–
Mr. Zhang Ping (note iii)	張平先生(附註iii)	–	–	–	–	–
Mr. Wolhardt Julian Juul	Wolhardt Julian Juul 先生	–	–	–	–	–
Independent non-executive directors	獨立非執行董事					
Professor Li Shengli	李勝利教授	200	–	–	–	200
Mr. Lee Kong Wai Conway	李港衛先生	200	–	–	–	200
Mr. Zou Fei	鄒飛先生	200	–	–	–	200
Mr. Kang Yan	康龔先生	200	–	–	–	200
		800	3,647	12,943	58	17,448

Ms. Gao Lina and Mr. Han Chunlin are also the chief executives of the Company. The emoluments disclosed above for executive directors were for the management of the affairs of the Company and the Group. The executive directors were also granted share options and share awards under the share option schemes and the share award scheme of the Company. Details of the share option schemes and share award scheme are set out in note 33.

高麗娜女士及韓春林先生亦為本公司的主要行政人員。上文所披露執行董事酬金是管理本公司及本集團事務的酬金，執行董事亦根據本公司購股權計劃及股份獎勵計劃獲授購股權及股份獎勵。購股權計劃及股份獎勵計劃詳情載於附註33。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

- i. No directors waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: nil).
- ii. Mr. Yu Xubo and Mr. Hui Chi Kin Max, non-executive directors, resigned from their office with effect from 29 March 2017. Mr. Lu Minfang and Mr. Wen Yongping were appointed as non-executive directors with effect from 29 March 2017. Mr. Zou Fei, an independent non-executive directors, resigned from his office with effect from 29 March 2017.
- iii. Mr. Wu Jingshui, a non-executive director, resigned from his office with effect from 22 March 2016, and Mr. Zhang Ping was appointed as a non-executive director with effect from the same date as a replacement of Mr. Wu Jingshui.
- iv. Mr. Sun Yugang, an executive director, who resigned from his office and was appointed as non-executive director with effect from 1 October 2016. Mr. Sun Yugang subsequently resigned from his office as non-executive director with effect from 29 March 2017.

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest remuneration in the Group, two (2016: three) are directors of the Company whose emoluments are included in the disclosures in note 10 above. Details of the remuneration of the remaining three (2016: two) individuals for the year are as follows:

10. 董事及主要行政人員酬金(續)

上文所列獨立非執行董事的酬金為彼等作為本公司董事的服務酬金。

附註：

- i. 截至二零一七年十二月三十一日止年度，概無董事放棄或同意放棄任何酬金(二零一六年：無)。
- ii. 非執行董事于旭波先生及許志堅先生自二零一七年三月二十九日起辭職。盧敏放先生及溫永平先生自二零一七年三月二十九日起獲委任為非執行董事。獨立非執行董事鄒飛先生自二零一七年三月二十九日起辭職。
- iii. 非執行董事吳景水先生自二零一六年三月二十二日起辭職，而張平先生自同日起替代吳景水先生獲委任為非執行董事。
- iv. 執行董事孫玉剛先生自二零一六年十月一日起辭職並獲委任為非執行董事。其後，彼自二零一七年三月二十九日起辭任非執行董事職務。

11. 五名最高薪酬人士

本集團的五名最高薪酬人士中包括本公司的兩名董事(二零一六年：三名)，其酬金披露於上文附註10。以下是年內其餘三名最高薪酬人士(二零一六年：兩名)的酬金詳情：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Salaries and allowances	薪金及津貼	3,028	1,382
Retirement benefits scheme contribution	退休福利計劃供款	69	50
Equity-settled share option expense	按股權結算購股權開支	11,000	3,913
Equity-settled share award expense	按股權結算股份獎勵開支	1,682	-
		15,779	5,345



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11. FIVE HIGHEST PAID EMPLOYEES (continued)

No remuneration was 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 (2016: nil).

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands in Hong Kong Dollar (“HK\$”) is as follows:

		2017 二零一七年	2016 二零一六年
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	–	1
HK\$3,500,001 to HK\$4,000,000	3,500,001港元至4,000,000港元	–	1
HK\$4,000,001 to HK\$4,500,000	4,000,001港元至4,500,000港元	1	–
HK\$6,500,001 to HK\$7,000,000	6,500,001港元至7,000,000港元	1	–
HK\$7,000,001 to HK\$7,500,000	7,000,001港元至7,500,000港元	1	–
		3	2

Certain non-director and non-chief executive highest paid employees were granted share options and share awards, in respect of their services to the Group under the share option schemes and share award scheme of the Company. Details of the share option schemes and share award scheme are set out in note 33.

12. DIVIDENDS

No dividend (2016: nil) was paid or proposed for ordinary shareholders of the Company during 2017, nor has any dividend been proposed since the end of the reporting period.

11. 五名最高薪酬人士(續)

本集團概無向董事或五名最高薪酬人士支付任何酬金，作為加盟本集團或加盟後的獎勵或作為離任補償(二零一六年：無)。

以港元(「港元」)計值的酬金屬以下範圍的非董事最高薪酬僱員人數如下：

根據本公司的購股權計劃及股份獎勵計劃，若干非董事及非主要行政人員的最高薪酬僱員就其對本集團的服務獲授購股權及股份獎勵。購股權計劃及股份獎勵計劃詳情載於附註33。

12. 股息

並無就二零一七年期間向本公司普通股股東支付或建議派付任何股息(二零一六年：無)，亦無自報告期末起建議派付任何股息。



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13. LOSS PER SHARE

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

13. 每股虧損

本公司持有人應佔每股基本及攤薄虧損乃根據以下數據計算：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Loss	虧損		
Loss for the purposes of basic and diluted loss per share	用於計算每股基本及攤薄虧損的虧損	(975,116)	(742,103)
		2017 二零一七年 Shares 股	2016 二零一六年 Shares 股
Number of shares	股份數目		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	用於計算每股基本及攤薄虧損的普通股加權平均數	6,022,884,528	5,302,909,436

The number of shares adopted in the calculation of the basic loss per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme. The calculation of diluted loss per share for the year ended 31 December 2017 and 2016 has not taken into account the effect of the share options and share awards of the Company, as appropriate, since the assumed exercise and vesting would result in decrease in loss per share.

計算每股基本虧損所採納的股份數目於抵銷本公司股份獎勵計劃項下持有的本公司未歸屬股份後得出。計算截至二零一七年及二零一六年十二月三十一日止年度的每股攤薄虧損並不計及本公司購股權及股份獎勵(如適用)的影響，乃由於假設行使及歸屬會導致每股虧損減少。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Buildings 樓宇 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Plant and equipment 廠房及設備 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Cost	成本					
Balance at 1 January 2016	於二零一六年一月一日的結餘	4,909,023	27,143	1,897,718	163,977	6,997,861
Additions	添置	-	1,597	64,782	264,636	331,015
Transfer	轉撥	182,812	-	145,631	(328,443)	-
Disposals	出售	(11,853)	(2,319)	(59,170)	-	(73,342)
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	5,079,982	26,421	2,048,961	100,170	7,255,534
Additions	添置	-	457	49,539	177,268	227,264
Transfer	轉撥	167,090	-	58,978	(226,068)	-
Disposals	出售	(16,992)	(4,011)	(63,341)	-	(84,344)
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	5,230,080	22,867	2,094,137	51,370	7,398,454
Accumulated depreciation	累計折舊					
Balance at 1 January 2016	於二零一六年一月一日的結餘	(993,801)	(9,697)	(574,838)	-	(1,578,336)
Charge for the year	年內開支	(324,355)	(2,313)	(225,638)	-	(552,306)
Eliminated on disposals of assets	出售資產撇銷	5,354	1,993	54,480	-	61,827
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	(1,312,802)	(10,017)	(745,996)	-	(2,068,815)
Charge for the year	年內開支	(314,747)	(1,752)	(269,784)	-	(586,283)
Eliminated on disposals of assets	出售資產撇銷	8,591	3,383	48,952	-	60,926
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	(1,618,958)	(8,386)	(966,828)	-	(2,594,172)
Impairment	減值					
Balance at 1 January 2016	於二零一六年一月一日的結餘	(41,528)	(15)	(1,085)	-	(42,628)
Charge for the year	年內開支	(62,652)	(99)	(6,310)	-	(69,061)
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	(104,180)	(114)	(7,395)	-	(111,689)
Eliminated on disposal	出售撇銷	4,163	32	1,948	-	6,143
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	(100,017)	(82)	(5,447)	-	(105,546)
Carrying amounts	賬面值					
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	3,511,105	14,399	1,121,862	51,370	4,698,736
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	3,663,000	16,290	1,295,570	100,170	5,075,030



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

14. PROPERTY, PLANT AND EQUIPMENT

(continued)

Certain of the Group's buildings, plant and equipment with an aggregate carrying amount of RMB93,877,000 (2016: RMB107,782,000) have been pledged as security for other borrowings (note 30) of the Group. At 31 December 2016, buildings, plant and equipment with an aggregate carrying amount of RMB133,734,000 have been pledged as security for bank borrowings (note 26) of the Group.

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
Motor vehicles
Plant and equipment

Impairment losses recognised

Since November 2014, the Group's operation of Modern Farming (Tongshan) Co., Ltd ("Tongshan Farm") was suspended. In 2016, the management of the Company determined that the operation of Tongshan Farm would not be resumed in the foreseeable future. Management of the Group carried out an impairment review of the recoverable amount of property, plant and equipment in Tongshan Farm and recognised impairment for property, plant and equipment of Tongshan Farm and recorded impairment loss of RMB69,061,000 in other gains and losses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

14. 物業、廠房及設備(續)

本集團賬面值總額人民幣93,877,000元(二零一六年：人民幣107,782,000元)的若干樓宇、廠房及設備已抵押作擔保本集團其他借款(附註30)。於二零一六年十二月三十一日，賬面值總額為人民幣133,734,000元的樓宇、廠房及設備已抵押作擔保本集團銀行借款(附註26)。

折舊於預期可使用年內並計及其估計剩餘價值後使用直線法按下列年利率計提：

樓宇	4.75%-9.50%
汽車	19.00%
廠房及設備	9.50%-19.00%

已確認減值虧損

自二零一四年十一月起，本集團現代牧業(通山)有限公司(「通山牧場」)暫停運營。二零一六年，本公司管理層決定通山牧場於可預見未來不會恢復運營。本公司管理層對通山牧場的物業、廠房及設備的可收回金額進行減值檢討，並就通山牧場的物業、廠房及設備確認減值，於截至二零一六年十二月三十一日止年度綜合損益及其他全面收益表的其他收益及虧損中錄得減值虧損人民幣69,061,000元。



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

15. LAND USE RIGHTS

15. 土地使用權

		RMB'000 人民幣千元
Balance at 1 January 2016	於二零一六年一月一日的結餘	124,365
Addition	添置	10,984
Release to profit or loss	解除至損益	(4,658)
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	130,691
Addition	添置	3,323
Release to profit or loss	解除至損益	(4,106)
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	129,908
		2017 二零一七年 RMB'000 人民幣千元
Analysed for reporting purpose as:	呈報分析如下：	2016 二零一六年 RMB'000 人民幣千元
– Current assets	– 流動資產	4,106
– Non-current assets	– 非流動資產	125,802
		129,908

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.

At 31 December 2017, no land use rights was pledged for certain bank borrowings of the Group (2016: RMB9,433,000).

該款項指中國土地使用權預付租賃款項。租賃土地權益的租用期限介乎20至50年。

於二零一七年十二月三十一日，本集團並無就若干銀行借款抵押任何土地使用權（二零一六年：人民幣9,433,000元）。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

16. GOODWILL

16. 商譽

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Cost	成本		
At 1 January and 31 December	於一月一日及十二月三十一日	1,535,886	1,535,886
Impairment	減值		
At 1 January	於一月一日	(111,347)	(94,392)
Impairment loss recognised in the year	年內已確認減值虧損	-	(16,955)
At 31 December	於十二月三十一日	(111,347)	(111,347)
Carrying values	賬面值		
At 31 December	於十二月三十一日	1,424,539	1,424,539

The Group's goodwill of RMB310,426,000 arose from acquisition of Modern Farming in 2009 (the "2009 Goodwill"). Accordingly, for the purposes of impairment testing, the 2009 Goodwill has been allocated to the dairy farming business of Modern Farming and its subsidiaries at the point of acquisition which are groups of cash-generating units engaged in dairy farming operations (the "Modern Farming CGU") and represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the Modern Farming 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 the management and discount rate of 12.7% (2016: 13.0%). Cash flows beyond the budgeted period are extrapolated using a 2.50% (2016: 2.50%) 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 the Modern Farming CGU to exceed the aggregate recoverable amount of the Modern Farming CGU. No impairment loss was recognised for the year ended 31 December 2017 (2016: nil).

本集團的商譽金額為人民幣310,426,000元，因於二零零九年收購現代牧業(集團)而產生(「二零零九年商譽」)。因此，進行減值測試時，二零零九年商譽歸入現代牧業及其於收購時為經營奶牛養殖業務的現金產生單位組別的附屬公司(「現代牧業現金產生單位」)的奶牛養殖業務，並為本集團內就內部管理目的監控商譽的最低水平。

現代牧業現金產生單位的可收回金額按照使用價值釐定，並以經管理層批准的五年財務預算為依據，採用現金流量預測作出，貼現率為12.7%(二零一六年：13.0%)。預算期限以外的現金流量使用2.50%(二零一六年：2.50%)的增長率推算。計算使用價值的其他主要假設涉及對現金流入／流出(包括銷售和經營開支預算)的估計。該等假設乃基於該單位的以往表現及管理層對市場發展的預期。管理層認為，該等假設可能產生的任何合理變動不會導致現代牧業現金產生單位的總賬面值超過其可收回金額總額。截至二零一七年十二月三十一日止年度並無確認減值虧損(二零一六年：無)。



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16. GOODWILL (continued)

The Group's goodwill of RMB1,225,460,000 arose from acquisition of the Asia Dairy Holdings and Asia Dairy Holdings II (the "ADH Companies") in 2015 (the "2015 Goodwill"). For the purposes of impairment testing, the 2015 Goodwill has been allocated to the ADH Companies which are groups of cash-generating units engaged in dairy farming operations (the "ADH CGU") and represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the ADH 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 the management and discount rate of 12.7% (2016: 13.0%). Cash flows beyond the budgeted period are extrapolated using a 2.50% (2016: 2.50%) 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. The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the ADH CGU to exceed the aggregate recoverable amount of the ADH CGU. No impairment loss was recognised for the year ended 31 December 2017 (2016: impairment loss of RMB16,955,000).

17. INTEREST IN AN ASSOCIATE

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

Name of company 公司名稱	Place of establishment 成立地點	Registered capital 註冊股本		Proportion of ownership interest 佔擁有權益的比例		Principal activities 主要業務
		As at 31 December 2017 二零一七年 十二月三十一日	As at 31 December 2016 二零一六年 十二月三十一日	2017 %	2016 %	
Modern Farming (Anhui) Ecommerce Co., Ltd. ("MF Ecommerce") 現代牧業(安徽)電子商務有限公司 (「現代牧業電子商務」)	PRC 中國	RMB10,000,000 人民幣10,000,000元	RMB10,000,000 人民幣10,000,000元	N/A 不適用	45	Sales of milk online 網上銷售牛奶

16. 商譽(續)

本集團的商譽金額為人民幣1,225,460,000元，因於二零一五年收購Asia Dairy Holdings及Asia Dairy Holdings II(「該等ADH公司」)而產生(「二零一五年商譽」)。進行減值測試時，二零一五年商譽歸入該等ADH公司，其為經營奶牛養殖業務的現金產生單位組別(「ADH現金產生單位」)，並為本集團內就內部管理目的監控商譽的最低水平。

ADH現金產生單位的可收回金額按照使用價值釐定，並以經管理層批准的五年財務預算為依據，採用現金流量預測作出，貼現率為12.7%(二零一六年：13.0%)。預算期限以外的現金流量使用2.50%(二零一六年：2.50%)的增長率推算。計算使用價值的其他主要假設涉及對現金流入／流出(包括銷售和經營開支預算)的估計。該等假設乃基於該單位的以往表現及管理層對市場發展的預期。管理層認為，該等假設可能產生的任何合理變動不會導致ADH現金產生單位的總賬面值超過其可收回金額總額。截至二零一七年十二月三十一日止年度並無確認減值虧損(二零一六年：減值虧損人民幣16,955,000元)。

17. 於一間聯營公司權益

本集團於一間聯營公司權益的詳情如下：



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

17. INTEREST IN AN ASSOCIATE (continued)

The Group and two non-related individuals established MF Ecommerce in 2016. The Group made cash capital contribution of RMB1,920,000, which accounted for 45% equity interests in MF Ecommerce. MF Ecommerce was accounted for as an associate. In May 2017, MF Ecommerce was liquidated and deregistered.

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

17. 於一間聯營公司權益(續)

於二零一六年，本集團與兩名非關聯個人成立現代牧業電子商務。本集團以現金方式出資人民幣1,920,000元，相當於現代牧業電子商務的45%股權。現代牧業電子商務入賬列為聯營公司。於二零一七年五月，現代牧業電子商務進行清算及撤銷註冊。

現代牧業電子商務的財務資料概要載列如下。

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Current assets	流動資產	N/A 不適用	4,267
Non-current assets	非流動資產	N/A 不適用	-
Current liabilities	流動負債	N/A 不適用	(73)
Non-current liabilities	非流動負債	N/A 不適用	-
Revenue	收入	976	-
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	(455)	(73)
Dividend	股息	-	-



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

17. INTEREST IN AN ASSOCIATE (continued)

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

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Net assets of the associate	聯營公司淨資產	N/A 不適用	4,194
Proportion of the Group's ownership interest in MF Ecommerce	本集團於現代牧業電子商務的擁有權權益比例	N/A 不適用	45%
Carrying amount of the Group's interest in MF Ecommerce	本集團於現代牧業電子商務的權益賬面值	N/A 不適用	1,887

17. 於一間聯營公司權益(續)

上述財務資料概要與於綜合財務報表確認的於聯營公司權益的賬面值對賬：

18. AVAILABLE-FOR-SALE EQUITY INVESTMENT**18. 可供出售股權投資**

		2017 二零一七年 RMB'000 人民幣千元	31/12/2016 二零一六年 RMB'000 人民幣千元
Unlisted equity investment at cost	按成本計算的非上市股權投資	24,955	24,955
Less: accumulated impairment	減：累計減值	(12,021)	-
		12,934	24,955

The above unlisted equity investment represents the Group's equity investment in Qiushi Grass Industry Co., Ltd. (the "Qiushi") and represent 11.33% equity interests in Qiushi. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group performed an impairment assessment as at 31 December 2017 and recorded an impairment loss of RMB12,021,000, being the difference between the asset's carrying amount and the present value of the estimated future cash flows as at 31 December 2017. Such impairment loss will not be reversed subsequently.

上述非上市股權投資指本集團於秋實草業有限公司(「秋實」)的股權投資及指於秋實的11.33%股權。該投資於報告期末按成本減減值計量，原因是合理公平值估計範圍甚廣，董事認為其公平值無法可靠計量。本集團於二零一七年十二月三十一日進行減值評估並錄得減值虧損人民幣12,021,000元，即於二零一七年十二月三十一日資產賬面值與估計未來現金流量現值的差額。有關減值虧損其後將不會撥回。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

19. OTHER FINANCIAL ASSETS

19. 其他金融資產

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Financial assets measured at FVTPL	按公平值計入損益計量的 金融資產		
Interest rates swap contracts (note i)	利率掉期合約(附註i)	31,704	-
Forward contracts (note ii)	遠期合約(附註ii)	-	11,236
		31,704	11,236

Notes:

- i. In September 2017, the Company entered into a bank loan arrangement with several banks, and under such arrangement the Group was allowed to borrow United States Dollars ("US\$") 300,000,000 loan from the banks at floating interest rate determined as "one-month US\$ London Inter Bank Offered Rate ("LIBOR") + 1.9%" per annum up to 36 months. In order to manage the risk of interest rate fluctuation, the Company entered into four interest rate swap contracts (collectively referred to as the "Swap II"), two with Rabobank Hong Kong (the "Rabobank") and the other two with Westpac Banking Corporation (the "Westpac"). Pursuant to the contracts with Rabobank entered into in August and September 2017, the Company fixed one-month US\$ LIBOR to 1.53% per annum on the notional amount of US\$100,000,000 and to 1.54% per annum on the notional amount of US\$50,000,000, which will commence in October 2017 and February 2018, and terminate on September 2020 respectively, pursuant to the contracts with Westpac entered into in August and September 2017, the Company fixed one-month US\$ LIBOR to 1.53% per annum on the notional amount of US\$50,000,000 and to 1.54% per annum on the notional amount of US\$100,000,000, which will commence in September 2017 and January 2018, and terminate on September 2020, respectively, all of which shall be settled monthly. The fair value changes of the Swap II are gains of RMB31,704,000 for the year ended 31 December 2017 which are recognised as a deduction of finance costs. The valuation techniques used in determination of fair values of the Swap II are disclosed in note 38.

附註：

- i. 於二零一七年九月，本公司與若干銀行訂立銀行貸款安排，根據有關安排，本集團獲准自銀行借入貸款300,000,000美元（「美元」），按最多36個月「一個月美元倫敦銀行同業拆息（「倫敦銀行同業拆息」）+ 每年1.9%」的浮動利率計息。為管理利率波動風險，本公司訂立四份利率掉期合約（統稱「掉期二」），其中兩份與荷蘭合作銀行香港分行（「荷蘭合作銀行」）訂立，另外兩份與西太平洋銀行（「西太平洋」）訂立。根據與荷蘭合作銀行於二零一七年八月及九月訂立的合約，本公司分別於二零一七年八月及九月將一個月美元倫敦銀行同業拆息固定為每年1.53%（按名義金額100,000,000美元）及為每年1.54%（按名義金額50,000,000美元），該等合約將分別於二零一七年十月及二零一八年二月開始，並於二零二零年九月終止，而根據與西太平洋於二零一七年八月及九月訂立的合約，本公司分別於二零一七年八月及九月將一個月美元倫敦銀行同業拆息固定為每年1.53%（按名義金額50,000,000美元）及為每年1.54%（按名義金額100,000,000美元），該等合約將分別於二零一七年九月及二零一八年一月開始，並於二零二零年九月終止，惟全部須每月結算。截至二零一七年十二月三十一日止年度，掉期二的公平值變動收益人民幣31,704,000元乃確認為一項融資成本扣減。釐定掉期二公平值所用的估值技術披露於附註38。



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19. OTHER FINANCIAL ASSETS (continued)

Notes: (continued)

- ii. In April 2016, Modern Farming borrowed a loan from China Construction Bank (“CCB”) to finance its operations (the “Loan”). The Loan has a principal of US\$28,000,000 at a floating interest rate determined as “three-month US\$ LIBOR + 0.9%”. The loan matured by 31 March 2017. In order to manage the volatility risk arising from fluctuations in RMB/US\$ foreign exchange rate on principal repayment, Modern Farming entered into a forward contract (the “Forward”) in April 2016 with CCB at forward rate of US\$1: RMB6.5676. In May 2016, Modern Farming further fixed the interest rate at 2.20% per annum by entering into a swap contract (the “Swap I”) with CCB, pursuant to which Modern Farming shall pay a fixed interest rate of 2.20% per annum to CCB and receive a floating interest rate determined as the “three-month US\$ LIBOR + 0.9%” per annum from CCB on the notional amount of US\$28,000,000, both of which shall be settled quarterly. The fair value change of the Forward is a loss of RMB1,949,000 (2016: gain of RMB11,236,000) for the year ended 31 December 2017 which is recognised in other gains and losses. The fair value change of the Swap I is a gain of RMB49,000 (2016: loss of RMB126,000 presented in note 20) for the year ended 31 December 2017 which is recognised in finance costs. Both the Forward and the Swap I expired in March 2017. The valuation techniques used in determination of fair values of the Forward and the Swap I are disclosed in note 38.

19. 其他金融資產 (續)

附註：(續)

- ii. 於二零一六年四月，現代牧業(集團)自中國建設銀行(「建設銀行」)借入貸款，以為其業務提供資金(「貸款」)。貸款的本金為28,000,000美元，按「三個月美元倫敦銀行同業拆息+0.9%」的浮動利率計息。貸款於二零一七年三月三十一日前到期。為管理就原償還款項而言人民幣兌美元匯率波動產生的波動風險，現代牧業(集團)於二零一六年四月與建設銀行訂立一份遠期合約(「遠期」)，遠期匯率為1美元兌人民幣6.5676元。於二零一六年五月，現代牧業(集團)與建設銀行訂立掉期合約(「掉期一」)，將利率進一步固定在每年2.20%。據此，現代牧業(集團)須按固定利率每年2.20%向建設銀行付息及按「三個月美元倫敦銀行同業拆息+每年0.9%」的浮動利率自建設銀行收息(按名義金額28,000,000美元)，付息及收息須每季度結算。截至二零一七年十二月三十一日止年度，遠期的公平值變動為虧損人民幣1,949,000元(二零一六年：收益人民幣11,236,000元)，於其他收益及虧損內確認。截至二零一七年十二月三十一日止年度掉期一的公平值變動為收益人民幣49,000元(二零一六年：虧損人民幣126,000元)(於附註22呈列)，於融資成本內確認。遠期及掉期一均於二零一七年三月到期。釐定遠期及掉期一公平值所使用的估值技術均披露於附註38。

20. OTHER FINANCIAL LIABILITIES**20. 其他金融負債**

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Financial liabilities measured at FVTPL	按公平值計入損益計量的金融負債		
Modified Considerations (note)	經修訂代價(附註)	-	926,932
The Swap I (note 19)	掉期一(附註19)	-	126
		-	927,058



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20. OTHER FINANCIAL LIABILITIES (continued)

Note:

On 23 September 2013, the Company entered into two agreements (the “JV Agreements”) with Success Dairy II Limited (“Success Dairy”). Pursuant to the JV Agreements, the Company and Success Dairy established ADH Companies. According to the JV Agreements, the Group owned 18% equity interests and Success Dairy owned the remaining 82% equity interests of ADH Companies.

Pursuant to the JV Agreements: (1) the Company granted to Success Dairy an option to require the Company to purchase from Success Dairy up to all loans or borrowings owed by ADH Companies to Success Dairy from time to time and the shares held by Success Dairy in the ADH Companies from time to time (the above are collectively referred to as the “Success Dairy Assets”) (the “Put Option”); and (2) Success Dairy granted the Company an option to require Success Dairy to sell to the Company up to all the Success Dairy Assets (the “Call Option”). The Put and Call Options will be exercisable three years after the first day on which the farms owned by the ADH Companies produce milk for sale and will expire by the end of the seventh year after the date of the JV Agreements. The Put Option and Call Option are exercisable for JV Agreements, respectively.

On 6 July 2015, the Company and Success Dairy entered into an agreement (the “Share Purchase Agreement”) pursuant to which the Company agreed to purchase and Success Dairy agreed to sell the 82% equity interests in the ADH Companies held by Success Dairy (the “Acquisition”). The total consideration payable by the Company for the Acquisition shall be the issuance of 477,429,132 ordinary shares of the Company (the “Consideration Shares”), representing approximately 9.0% of the enlarged issued share capital of the Company.

Pursuant to the Share Purchase Agreement, Success Dairy has undertaken to the Company that it shall not, and will procure that none of its affiliates will, at any time during a three-year period (the “Lock-up Period”) from the date on which the sale and purchase of the Success Dairy Assets pursuant to the Share Purchase Agreement has been completed, transfer or dispose of any Consideration Shares.

20. 其他金融負債(續)

附註：

於二零一三年九月二十三日，本公司與Success Dairy II Limited (「Success Dairy」) 訂立二項協議(「合資協議」)。根據合資協議，本公司與Success Dairy成立ADH公司。根據合資協議，本集團擁有ADH公司18%股權，而Success Dairy擁有餘下82%股權。

根據合資協議：(1)本公司已授予Success Dairy一項期權，可要求本公司自Success Dairy購買最多該等ADH公司不時結欠Success Dairy的所有貸款或借款以及Success Dairy不時持有該等ADH公司的股份(以上統稱「Success Dairy資產」)(「認沽期權」)；及(2)Success Dairy已授予本公司一項期權，可要求Success Dairy出售最多所有Success Dairy資產予本公司(「認購期權」)。認沽期權及認購期權將於該等ADH公司所擁有的牧場生產供銷售鮮奶首日後三年內可予行使，並將於該等合資協議日期後第七年末前屆滿。該等合資協議可分別行使認沽期權及認購期權。

於二零一五年七月六日，本公司與Success Dairy訂立一項協議(「購股協議」)，據此，本公司同意購買及Success Dairy同意出售Success Dairy於該等ADH公司持有的82%股權(「收購事項」)。本公司就收購事項應付的代價總額應為發行本公司的477,429,132股普通股(「代價股份」)，相當於本公司經擴大已行股本約9.0%。

根據購股協議，Success Dairy已向本公司承諾，其不會並將促使其聯屬人不會於根據購股協議買賣Success Dairy資產完成日期起計三年期內(「禁售期」)的任何時間轉讓或出售任何代價股份。



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20. OTHER FINANCIAL LIABILITIES (continued)

Note: (continued)

Upon the expiry of the Lock-up Period, in the event that:

- the value of the Consideration Shares calculated based on the volume weighted average closing price of the shares for a period of forty-five trading days immediately preceding the lock-up expiry date is less than US\$308 million, the Company shall pay Success Dairy by further issuance of ordinary shares of the Company and/or in immediately available funds the difference between the value of the Consideration Shares and US\$308 million (the “Value Adjustment Undertaking I”); or
- the value of the Consideration Shares calculated based on the volume weighted average closing price of the shares for a period of forty-five trading days immediately preceding the lock-up expiry date is more than US\$363 million, Success Dairy shall pay the Company in cash or shall return part of the Consideration Shares equivalent in value to 20.0% of the difference between the value of the Consideration Shares and US\$363 million to the Company (the “Value Adjustment Undertaking II”) (the Value Adjustment Undertaking I and the Value Adjustment Undertaking II are collectively referred to as the “Value Adjustment Undertakings”).

On 12 December 2016, the Group and Success Dairy entered into a supplemental deed to the Share Purchase Agreement, pursuant to which, either party is granted an option to request the counterparty to early settle the Value Adjustment Undertakings.

On 28 December 2016, Success Dairy issued a conditional exercise notice (the “Exercise Notice”) to the Group, pursuant to which Success Dairy conditionally exercised its option to early settle the Value Adjustment Undertakings at total considerations of US\$254,800,000 including values of the Consideration Shares previously issued to Success Dairy. Pursuant to the settlement arrangement, the Group shall issue additional 488,036,618 ordinary shares (the “Supplemental Consideration Shares”, the market value of which amounted to RMB833,808,000 at 31 December 2016) and pay cash of US\$13,424,231 (equivalent to RMB93,124,000 as at 31 December 2016) (the “Cash Considerations”, together with the Supplemental Consideration Shares are referred to as “Modified Considerations”). The exercise notice is conditional on the signing of a sale and purchase agreement between Success Dairy and Mengniu in respect of the Company’s ordinary shares owned by Success Dairy on or before 6 January 2017 and the shareholders’ approval of the sale and purchase agreement at the shareholders’ meeting of Mengniu on or before 13 March 2017.

20. 其他金融負債(續)

附註：(續)

於禁售期屆滿後，倘發生以下情況：

- 根據股份緊接禁售屆滿日期前四十五個交易日期間的成交量加權平均收市價計算的代價股份價值少於308,000,000美元，本公司須以進一步發行本公司普通股及／或以即時可用的資金向Success Dairy支付代價股份價值與308,000,000美元間的差額(「價值調整承擔I」)；或
- 根據股份緊接禁售屆滿日期前四十五個交易日期間的成交量加權平均收市價計算的代價股份價值超過363,000,000美元，Success Dairy須以現金向本公司支付或退回部分代價股份，其價值相等於代價股份價值與363,000,000美元間的差額的20.0%(「價值調整承擔II」)(價值調整承擔I及價值調整承擔II統稱為「價值調整承擔」)。

於二零一六年十二月十二日，本集團與Success Dairy訂立一項購股協議補充契據，據此，雙方獲授選擇權，可要求對方提早清償價值調整承擔。

於二零一六年十二月二十八日，Success Dairy向本集團發出有條件行使通知(「行使通知」)，據此，Success Dairy有條件行使其期權提早結算價值調整承擔，總代價為254,800,000美元(包括過往發行予Success Dairy的代價股份的價值)。根據結算安排，本集團須發行額外488,036,618股普通股(「補充代價股份」)，於二零一六年十二月三十一日的市值為人民幣833,808,000元)及支付現金13,424,231美元(於二零一六年十二月三十一日相當於人民幣93,124,000元)(「現金代價」，連同補充代價股份統稱「經修訂代價」)。行使通知須待Success Dairy與蒙牛於二零一七年一月六日或之前就Success Dairy擁有的本公司普通股簽訂買賣協議及股東於二零一七年三月十三日或之前在蒙牛的股東大會上批准買賣協議後，方可作實。



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20. OTHER FINANCIAL LIABILITIES (continued)

Note: (continued)

As at 31 December 2016, the fair value of the Modified Considerations is estimated by reference to the Cash Considerations and the fair value of the Supplemental Consideration Shares. A gain of RMB228,540,000 resulting from the remeasurement is recognised in other gains and losses in the year ended 31 December 2016. The Group's obligation to issue the Supplemental Consideration Shares continued to be presented as a financial liability as the conditions attaching to the Exercise Notice had not been met as at 31 December 2016.

The share purchase agreement was approved by an extraordinary general meeting of Mengniu on 3 February 2017.

On 6 February 2017, the Company issued ordinary shares of 488,036,618 shares and paid cash of US\$13,424,231 to settle the Modified Considerations, resulting in a loss of RMB15,361,000 on derecognition. The excess of RMB807,037,000, being the difference of the fair value of the ordinary shares issued of RMB850,194,000 over the par value of the ordinary shares of HK\$48,804,000 (equivalent to RMB43,157,000), was recorded in share premium.

21. 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 milkable cows are dairy cows held for milk production. Heifers and calves are those dairy cows that have not reached the age that can produce milk.

20. 其他金融負債(續)

附註：(續)

於二零一六年十二月三十一日，經修訂代價的公平值乃參考應付現金代價及補充代價股份的公平值予以估計。重新計量產生的收益人民幣228,540,000元於截至二零一六年十二月三十一日止年度的其他收益及虧損內確認。由於行使通知附帶的條件於二零一六年十二月三十一日尚未達成，本集團發行補充代價股份的責任繼續列為金融負債。

購股協議於二零一七年二月三日獲蒙牛的股東特別大會批准。

於二零一七年二月六日，本公司發行488,036,618股普通股及支付現金13,424,231美元以償付經修訂代價，導致取消確認時虧損人民幣15,361,000元。超額人民幣807,037,000元為已發行普通股公平值人民幣850,194,000元與普通股面值人民幣48,804,000元(相當於人民幣43,157,000元)之間的差額，並記錄於股份溢價。

21. 生物資產**A 業務性質**

本集團的生物資產為持有作生產原料奶的乳牛。

以下是本集團於報告期末擁有的乳牛數量。本集團的奶牛是養來產奶的乳牛。小母牛及小牛都是未滿產奶年齡的乳牛。

		2017 二零一七年 heads 頭	2016 二零一六年 heads 頭
Milkable cows	奶牛	126,839	119,286
Heifers and calves	小母牛及小牛	106,219	109,914
Total dairy cows	乳牛總計	233,058	229,200



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

21. BIOLOGICAL ASSETS (continued)**A Nature of activities** (continued)

The Group is exposed to fair value risks arising from changes in price of raw milk. The Group does not anticipate that the price of the raw milk 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 raw milk.

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.

When a heifer begins to produce raw 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.

21. 生物資產(續)**A 業務性質(續)**

本集團要承受原料奶價格變動帶來的公平值風險。據本集團預計，在可預見的將來原料奶價格不會大幅下跌。董事認為，本集團並無可用的衍生工具或其他可以訂立的合約用於管理原料奶價格下跌的風險。

一般情況下，小母牛於長至約十四個月大時進行配種。約九個月的孕期過後，小牛出生，奶牛開始生產原料奶及哺乳期開始。奶牛通常會擠奶約340天，之後進入約60天的乾乳期。

小母牛開始產原料奶時，乃按重新分類日期的估計公平值重新分類至奶牛類別。

本集團面臨與其生物資產有關的多種風險。本集團面臨以下運營風險：

i. 法規及環境風險

本集團須遵守其開展農場種植及育種活動所在地的法律及法規。本集團已制定旨在遵守當地環境及其他法律的環境政策及程序。管理層進行定期檢查以識別環境風險及確保現有系統足以管理該等風險。

ii. 氣候、疾病及其他自然風險

本集團的生物資產面臨遭受氣候變化、疾病及其他自然因素損害的風險。本集團已擴展監察及減輕該等風險的程序，包括定期檢查及疾病控制與調查及保險。



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21. BIOLOGICAL ASSETS (continued)**B Quantity of the agricultural produce of the Group's biological assets**

		2017 二零一七年 KILOGRAM ("KG") 千克	2016 二零一六年 KG 千克
Volume of milk sold	原料奶銷量	1,148,773,000	1,009,854,000

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:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Milkable cows	奶牛	5,336,570	5,173,559
Heifers and calves	小母牛及小牛	2,414,500	2,429,400
Total dairy cows	乳牛總計	7,751,070	7,602,959

21. 生物資產(續)**B 本集團生物資產的農業生產的數量****C 乳牛的價值**

報告期末的乳牛公平值減銷售成本載列如下：



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21. BIOLOGICAL ASSETS (continued)**C Value of dairy cows** (continued)**21. 生物資產** (續)**C 乳牛的價值** (續)

		Heifers and calves	Milkable cows	Total
		小母牛及小牛	奶牛	總計
		RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元
Balance at 1 January 2016	於二零一六年一月一日的結餘	2,777,700	4,813,178	7,590,878
Feeding cost and other related costs	飼養成本及其他相關成本	1,537,958	-	1,537,958
Transfer	轉撥	(2,040,479)	2,040,479	-
Decrease due to disposal	出售減值	(71,219)	(395,730)	(466,949)
Gain (loss) arising from changes in fair value less costs of dairy cows	乳牛公平值變動減乳牛成本產生的收益(虧損)	225,440	(1,284,368)	(1,058,928)
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	2,429,400	5,173,559	7,602,959
Feeding cost and other related costs	飼養成本及其他相關成本	1,444,451	-	1,444,451
Transfer	轉撥	(1,976,835)	1,976,835	-
Decrease due to disposal	出售減值	(56,909)	(371,094)	(428,003)
Gain (loss) arising from changes in fair value less costs of dairy cows	乳牛公平值變動減乳牛成本產生的收益(虧損)	574,393	(1,442,730)	(868,337)
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	2,414,500	5,336,570	7,751,070

The Company has engaged Jones Lang LaSalle Corporate Appraisal And Advisory Limited (“JLL”) to assist it in assessing the fair values of the Group's dairy cows. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuations have been performed properly. 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 38.

本公司已委聘仲量聯行企業評估及諮詢有限公司(「仲量聯行」)協助其評估本集團的乳牛的公平值。獨立估值師與本集團管理層定期舉行會議，討論估值技術及市場資料變動，以確保估值妥為進行。釐定公平值所用估值技術及估值模型所用主要輸入數據披露於附註38。



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21. BIOLOGICAL ASSETS (continued)**C Value of dairy cows** (continued)

As at 31 December 2017, the Group has pledged dairy cows of RMB1,154,156,000 (31 December 2016: RMB2,729,867,000) to banks to secure certain bank borrowings of the Group (note 26).

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

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Gains arising on initial recognition of raw milk at fair value less cost to sell at the point of harvest	於原料奶收穫時按公平值減銷售成本初始確認產生的收益	1,228,046	1,116,860
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損	(868,337)	(1,058,928)
		359,709	57,932

22. INVENTORIES

Feeds
Finished goods
Others

飼料
製成品
其他

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Feeds	飼料	759,318	857,308
Finished goods	製成品	31,700	51,944
Others	其他	57,617	71,263
		848,635	980,515

21. 生物資產(續)**C 乳牛的價值(續)**

於二零一七年十二月三十一日，為給本集團擔保若干銀行借款，本集團向銀行抵押人民幣1,154,156,000元(二零一六年十二月三十一日：人民幣2,729,867,000元)的乳牛(附註26)。

以下分析初步確認原料奶和乳牛公平值變動減銷售成本產生的合計收益或虧損：



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**23. TRADE AND OTHER RECEIVABLES AND
ADVANCED PAYMENTS****23. 應收貿易賬款及其他應收款項以
及預付款項**

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Trade receivables	應收貿易賬款	1,392,547	1,217,606
Bills receivable	應收票據	500	1,500
Less: allowance for doubtful debts (note)	減：呆賬撥備(附註)	(495,167)	(1,589)
		897,880	1,217,517
Advanced payments for feeds and materials	飼料及材料墊款	97,178	82,787
Input value added tax recoverable	可收回進項增值稅	21,457	31,261
Interest receivables	應收利息	144	694
Receivables in respect of disposal of property, plant and equipment	就出售物業、廠房及設備應收款項	-	9,842
Others	其他	5,410	6,379
		1,022,069	1,348,480

Note: In June 2017, the Group entered into a framework supply and processing agreement with Mengniu Group, pursuant to which the Group agreed to sell its liquid milk products to Mengniu Group to enlarge its market share by leveraging the established distribution channel of Mengniu Group. In the meantime, the Group discontinued its direct cooperation with other major distributors (the "Distributors"). Following the above change in distribution channel, these Distributors have been engaged by Mengniu Group as the secondary distributors of Mengniu Group for distribution of liquid milk products of the Group. In view of the termination of the direct distributorship with these Distributors and the delay of repayments, the Group anticipated the trade receivable of RMB1,069,543,000 due from these Distributors may not be fully recovered. After taking into account of the present value of future collection and the security of 318,697,354 ordinary shares of the Company provided by certain individuals who used to be the non-controlling equity holders of Modern Farming (Anhui) Dairy Product Sales Co., Ltd. ("Modern Farming Anhui") and were responsible for selecting distributors, an impairment loss of RMB488,489,000 was recognised in respect of the Group's trade receivables due from these Distributors. The Group will closely monitor the operations of these Distributors and reinforce collection to the extent possible.

附註：於二零一七年六月，本集團與蒙牛集團訂立框架供應及加工協議，據此，本集團同意向蒙牛集團出售其液態奶產品，透過借助蒙牛集團成熟的分銷渠道，擴大其市場佔有額。與此同時，本集團終止與其他主要分銷商(「分銷商」)的直接合作。於分銷渠道出現上述變動後，該等分銷商已由蒙牛集團委聘作為蒙牛集團的次級分銷商，以分銷本集團的液體奶產品。鑒於與該等分銷商直接經銷權已終止及遲還款，本集團預期該等分銷商結欠的應收貿易賬款人民幣1,069,543,000元或不能全數收回。經計及未來收回款項的現值及若干曾為現代牧業(安徽)乳品銷售有限公司(「現代牧業安徽」)的非控股權益持有人並負責甄選分銷商的個人人士持有318,697,354股本公司普通股的抵押，已就該等分銷商結欠本集團的應收貿易賬款確認減值虧損人民幣488,489,000元。本集團將密切監察該等分銷商的營運及加強收款情況。



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23. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS (continued)

The Group allows credit periods of 30 to 360 days to its customers.

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

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Trade receivables	應收貿易賬款		
– within 120 days	– 120天以內	314,426	672,426
– beyond 120 days but within 360 days	– 120天以上360天以內	77,583	461,328
– beyond 360 days but within 720 days	– 360天以上720天以內	505,371	82,263
Bills receivable	應收票據		
– within 120 days	– 120天以內	500	–
– beyond 120 days but within 360 days	– 120天以上360天以內	–	1,500
		897,880	1,217,517

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. Credit quality and credit limits attributed to customers are reviewed once a year. As at 31 December 2017, 41% (2016: 92%) of the trade receivables that are neither past due nor impaired have the best credit scoring under the internal credit scoring system used by the Group.

23. 應收貿易賬款及其他應收款項以及預付款項(續)

本集團允許其客戶信貸期限為30至360天。

於報告期末按發票日(與報告期末有關收益確認日期相若)呈列的應收貿易賬款(扣除呆賬撥備)賬齡分析如下:

報告期末的應收貿易賬款主要指銷售原料奶及液態奶產品的應收款項。

在接納任何新客戶前，本集團會自行評估該潛在客戶的信貸質量並確定適當的信用額度。本公司每年對授予客戶的信貸質量及信貸額度檢討一次。於二零一七年十二月三十一日，41%(二零一六年：92%)的應收貿易賬款既未逾期亦未減值，且根據本集團所使用的內部信貸評分系統評估擁有最佳信貸評分。



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**23. TRADE AND OTHER RECEIVABLES AND
ADVANCED PAYMENTS** (continued)

Aged analysis of trade receivables which are past due but not impaired

23. 應收貿易賬款及其他應收款項以及預付款項 (續)

已逾期但並未減值的應收貿易賬款的賬齡分析

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
1-90 days past due	逾期1至90天	201,975	72,441
91-180 days past due	逾期91至180天	165,443	25,966
181-270 days past due	逾期181至270天	99,327	-
271-360 days past due	逾期271至360天	61,931	-
Over 360 days past due	逾期360天以上	4,828	-
Total	合計	533,504	98,407

Movements in the allowance for doubtful debts

呆賬撥備變動

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
At 1 January	一月一日	1,589	-
Impairment loss recognised during the year	年內已確認減值虧損	495,271	1,589
Amounts written off as uncollectible	撇銷為無法收回的金額	(1,693)	-
At 31 December	十二月三十一日	495,167	1,589

Included in the allowance of doubtful debts are individually impaired trade receivable with an aggregate balance of RMB495,167,000 (2016: RMB1,589,000).

呆賬撥備包括總結餘為人民幣495,167,000元(二零一六年：人民幣1,589,000元)的個別已減值應收貿易賬款。



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**23. TRADE AND OTHER RECEIVABLES AND
ADVANCED PAYMENTS** (continued)**Transfers of financial assets**

At 31 December 2016, bills receivable amounting to RMB1,500,000 were transferred to suppliers by endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and associated liabilities. These financial assets are carried at amortised cost in the Group's consolidated financial statements. No such transfer was made during the year ended 31 December 2017 which was outstanding at 31 December 2017.

Bills receivable endorsed to suppliers with full recourse

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Carrying amount of transferred assets	已轉讓資產的賬面值	-	1,500
Carrying amount of associated liabilities	相關負債的賬面值	-	(1,500)
Net position	淨值	-	-

All the bills receivable endorsed to suppliers have a maturity date of less than one year from the end of the reporting period.

23. 應收貿易賬款及其他應收款項(續)**金融資產轉讓**

於二零一六年十二月三十一日，透過按完全追索權基準背書應收款項的方式向供應商轉讓應收票據人民幣1,500,000元。由於本集團並未轉移與該等應收款項有關的重大風險及回報，故其持續確認應收款項及相關負債的全部賬面值。該等金融資產於本集團綜合財務報表中按攤銷成本入賬。於截至二零一七年十二月三十一日止年度，並無作出該等轉讓，且於二零一七年十二月三十一尚未結清。

按完全追索權基準向供應商背書的應收票據

向供應商背書的全部應收票據的到期日自報告期末起少於一年。



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24. PLEDGED BANK BALANCES AND NON-PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES**Pledged bank balances and non-pledged bank deposits****24. 已質押銀行結餘、未質押銀行存款及現金及銀行結餘****已質押銀行結餘及未質押銀行存款**

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Pledged bank balances	已質押銀行結餘	116,467	124,874
Non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月的未質押銀行存款	15,000	231,750
		131,467	356,624

The pledged bank balances represent deposits pledged for letter of credit and bills payable. The pledged bank balances carry interest at prevailing market saving rates ranging from 0.35% to 1.30% (2016: 0.35% to 1.95%) per annum at 31 December 2017.

Non-pledged bank deposits with original maturity of more than three months are held with banks and carry interest at prevailing market saving rate of 1.56% (2016: 1.56% to 1.80%) per annum at 31 December 2017.

Cash and bank balances

Cash and bank balances comprise cash and short-term deposits with an original maturity of three months or less which are held with banks and carry interest at prevailing market saving rate of 0.35% (2016: 0.35%) per annum at 31 December 2017.

Pledged bank balances, non-pledged bank deposits and cash and bank balances at 31 December 2016 and 2017 are denominated in US\$, Euro ("EUR"), HK\$ 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.

已質押銀行結餘指用以擔保信用證及應付票據的存款。於二零一七年十二月三十一日，已質押銀行結餘按每年介乎0.35%至1.30%（二零一六年：0.35%至1.95%）的現行市場存款利率計息。

於二零一七年十二月三十一日，存入銀行的原到期日超過三個月的未質押銀行存款按每年1.56%（二零一六年：1.56%至1.80%）的現行市場存款利率計息。

現金及銀行結餘

於二零一七年十二月三十一日，現金及銀行結餘包括現金及存入銀行按現行市場存款利率每年0.35%（二零一六年：0.35%）計息的原到期日為三個月或以內的短期存款。

於二零一六年及二零一七年十二月三十一日的已質押銀行結餘、未質押銀行存款及現金及銀行結餘乃以美元、歐元（「歐元」）、港元及人民幣計值。人民幣在國際市場上不能自由兌換。人民幣的匯率乃由中國政府釐定，而將該等資金從中國匯出須受中國政府實施的匯兌管制所規限。



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

24. PLEDGED BANK BALANCES AND NON-PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES (continued)**Cash and bank balances** (continued)

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

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
US\$ – pledged bank balances	美元 – 已質押銀行結餘	22,751	6,237
US\$ – cash and bank balances	美元 – 現金及銀行結餘	146,581	41,985
EUR – cash and bank balances	歐元 – 現金及銀行結餘	1,410	1,019
HK\$ – cash and bank balances	港元 – 現金及銀行結餘	6,928	802

25. TRADE AND OTHER PAYABLES

The credit period granted by suppliers for trade purchases is generally 120 days. The following is an aging analysis of trade and bills payable at the end of the reporting period:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Trade payables	應付貿易賬款		
– within 60 days	– 60天以內	926,757	1,204,450
– beyond 60 days but within 120 days	– 60天以上但於120天以內	296,373	213,399
– beyond 120 days but within 360 days	– 120天以上但於360天內	44,959	80,461
– beyond 360 days but within 720 days	– 360天以上但於720天內	10,483	3,832
Bills payable (note)	應付票據(附註)	61,458	377,055
		1,340,030	1,879,197
Payable for acquisition of property, plant and equipment	購買物業、廠房及設備應付款項	393,745	554,959
Accrued staff costs	應計員工成本	84,548	70,965
Accrued interest expenses	應計利息開支	113,890	102,009
Advance payments from customers	預收客戶款項	17,791	77,119
Others	其他	69,462	97,478
		2,019,466	2,781,727

24. 已質押銀行結餘、未質押銀行存款及現金及銀行結餘(續)**已質押銀行結餘及未質押銀行存款(續)**

以有關實體的功能貨幣以外的貨幣計值的若干已質押銀行結餘、未質押銀行存款及現金及銀行結餘載列如下：

25. 應付貿易賬款及其他應付款項

供應商授予採購賬款的信貸期一般為120天。以下為於報告期末的應付貿易賬款及應付票據的賬齡分析：

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

附註：應付票據可於銀行承兌，並於各自發行日期起計十二個月內到期。



Notes to the Consolidated Financial Statements 綜合財務報表附註

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26. BANK BORROWINGS

26. 銀行借款

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Bank borrowings	銀行借款	3,477,257	3,885,825
Unsecured borrowings	無抵押借款	2,603,229	2,000,736
Secured borrowings (note i)	有抵押借款(附註i)	12,500	404,589
Guaranteed borrowings (note ii)	已擔保借款(附註ii)	861,528	1,480,500
		3,477,257	3,885,825
Carrying amount repayable:	應於以下期限償還的賬面值：		
Within one year	一年以內	1,564,228	3,278,325
Between one to two years	一至兩年	516,000	133,000
Between two to five years	兩至五年	1,397,029	474,500
		3,477,257	3,885,825
Less: Amounts due within one year shown under current liabilities	減：列入流動負債的一年內 到期金額	1,564,228	3,278,325
		1,913,029	607,500

Notes:

- i. Certain bank loans as at 31 December 2017 and 2016 were secured by certain properties, land use rights and biological assets owned by the Group as set out in notes 14, 15 and 21 respectively.
- ii. The balances were guaranteed by group entities within the Group.

The bank borrowings comprise:

附註：

- i. 於二零一七年及二零一六年十二月三十一日的若干銀行貸款由本集團擁有的若干物業、土地使用權及生物資產(分別載於附註14、15及21)作抵押。
- ii. 結餘由本集團內的集團實體擔保。

銀行借款包括：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Fixed-rate borrowings	定息借款	1,351,465	2,199,859
Variable-rate borrowings	浮息借款	2,125,792	1,685,966
		3,477,257	3,885,825



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26. BANK BORROWINGS (continued)

As disclosed in note 19, the Group was allowed to borrow a bank loan of US\$300,000,000 in September 2017 bearing interest rate at LIBOR + 1.9% per annum and the upfront fee amounted to US\$5,400,000 (equivalent to RMB35,839,000). The Group withdrew US\$170,000,000 (equivalent to RMB1,127,603,000) during the current year and the effective interest rate is 4.18% per annum at 31 December 2017.

Save as set out above, the effective interest rates of the Group's bank borrowings are also equal to contracted interest rates. The effective interest rates per annum at the end of the reporting period are as follows:

		2017 二零一七年	2016 二零一六年
Fixed-rate borrowings	定息借款	0.90%-4.79%	3.60%-4.75%
Variable-rate borrowings	浮息借款	2.65%-6.40%	1.90%-6.40%

Interest rate of variable-rate borrowings are determined based on the borrowing rates announced by the People's Bank of China and the LIBOR.

As at 31 December 2017, bank borrowings denominated in RMB, US\$ and EUR are approximately RMB2,233,456,000 (2016: RMB3,691,589,000), RMB1,142,371,000 (2016: RMB194,236,000) and RMB101,430,000 (2016: nil) respectively.

26. 銀行借款(續)

誠如附註19披露，本集團獲准於二零一七年九月自銀行借入貸款300,000,000美元，每年按倫敦銀行同業拆息+1.9%的利率及為數5,400,000美元（相當於人民幣35,839,000元）的前期付款計息。本集團於本年度提取170,000,000美元（相當於人民幣1,127,603,000元），而於二零一七年十二月三十一日的實際年利率為4.18%。

除上述者外，本集團銀行借款的實際利率亦等同於合約利率。以下是報告期末的實際年利率：

浮息借款的利率乃根據中國人民銀行公佈的借款利率及倫敦銀行同業拆息釐定。

於二零一七年十二月三十一日，以人民幣、美元及歐元計值的銀行借款分別約為人民幣2,233,456,000元（二零一六年：人民幣3,691,589,000元）、人民幣1,142,371,000元（二零一六年：人民幣194,236,000元）及人民幣101,430,000元（二零一六年：無）。



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27. SHORT-TERM DEBENTURES

27. 短期債券

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Short-term debentures – unsecured	短期債券 – 無擔保	–	799,425

Notes:

- i. On 20 January 2017, Modern Farming issued short-term debenture with a principal amount of RMB500,000,000 with maturity of nine months. The short-term debenture bears a fixed interest rate of 5.39% per annum. Related transaction costs amounted to RMB1,500,000. The effective interest rate is 5.93% per annum. The short-term debenture was redeemed in October 2017 when it fell due.
- ii. On 2 September 2016, Modern Farming issued short-term debenture with a principal amount of RMB300,000,000 with maturity of nine months. The short-term debenture bears a fixed interest rate of 5.00% per annum. Related transaction costs amounted to RMB900,000. The effective interest rate is 5.55% per annum. The short-term debenture was redeemed in May 2017 when it fell due.
- iii. On 16 June 2016, Modern Farming issued short-term debenture with a principal amount of RMB500,000,000 with maturity of nine months. The short-term debenture bears a fixed interest rate of 4.67% per annum. Related transaction costs amounted to RMB1,500,000. The effective interest rate is 5.19% per annum. The short-term debenture was redeemed in March 2017 when it fell due.

附註：

- i. 於二零一七年一月二十日，現代牧業（集團）發行短期債券，本金額人民幣500,000,000元，年期九個月。短期債券的固定利率為每年5.39%。相關交易成本為人民幣1,500,000元。實際利率為每年5.93%。短期債券於二零一七年十月到期時獲贖回。
- ii. 於二零一六年九月二日，現代牧業（集團）發行短期債券，本金額人民幣300,000,000元，年期九個月。短期債券的固定利率為每年5.00%。相關交易成本為人民幣900,000元。實際利率為每年5.55%。短期債券於二零一七年五月到期時獲贖回。
- iii. 於二零一六年六月十六日，現代牧業（集團）發行短期債券，本金額人民幣500,000,000元，年期九個月。短期債券的固定利率為每年4.67%。相關交易成本為人民幣1,500,000元。實際利率為每年5.19%。短期債券於二零一七年三月到期時獲贖回。



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28. MEDIUM-TERM NOTES

28. 中期票據

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Within one year	一年以內	1,198,922	–
Between one to two years	一年至兩年	599,458	1,197,940
Between two to five years	兩年至五年	–	598,665
		1,798,380	1,796,605
Less: Amount due within one year (shown under current liabilities)	減：一年內到期款項(列於 流動負債項下)	1,198,922	–
Amount due after one year	一年後到期款項	599,458	1,796,605

Notes:

- i. On 23 March 2016, Modern Farming issued medium-term notes with an aggregate principal amount of RMB1,000,000,000 which will mature in two years. The medium-term notes bear a fixed interest rate of 4.60% per annum. Related transaction costs amounted to RMB3,000,000. The effective interest rate is 4.91% per annum.
- ii. On 23 March 2016, Modern Farming issued medium-term notes with an aggregate principal amount of RMB600,000,000 which will mature in three years. The medium-term notes bear a fixed interest rate of 4.75% per annum. Related transaction costs amounted to RMB1,800,000. The effective interest rate is 4.86% per annum.
- iii. On 11 February 2015, Modern Farming issued medium-term notes with an aggregate principal amount of RMB200,000,000 which will mature in three years. The medium-term notes bear a fixed interest rate of 6.00% per annum.

附註：

- i. 於二零一六年三月二十三日，現代牧業(集團)發行中期票據，本金總額為人民幣1,000,000,000元，將於兩年後到期。中期票據的固定利率為每年4.60%。相關交易成本為人民幣3,000,000元。實際利率為每年4.91%。
- ii. 於二零一六年三月二十三日，現代牧業(集團)發行中期票據，本金總額為人民幣600,000,000元，將於三年後到期。中期票據的固定利率為每年4.75%。相關交易成本為人民幣1,800,000元。實際利率為每年4.86%。
- iii. 於二零一五年二月十一日，現代牧業(集團)發行中期票據，本金總額為人民幣200,000,000元，將於三年後到期。中期票據的固定利率為每年6.00%。



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29. CORPORATE BONDS

29. 公司債券

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Corporate bonds	公司債券	1,045,761	249,020

Notes:

- i. In June 2016, the Group obtained approval from China Securities Regulatory Commission to issue corporate bonds in the PRC of an aggregate principal amount up to RMB2,000,000,000 within 24 months from the approval. On 12 August 2016, the Group issued the first tranche of the corporate bonds of an aggregate principal amount of RMB250,000,000 which will mature in three years. The corporate bonds bear a fixed interest rate of 5.30% per annum. Related transaction costs amounted to RMB1,125,000. The effective interest rate is 5.47% per annum.
- ii. On 28 March 2017, the Group issued the first tranche of corporate bonds of an aggregate principal amount of RMB800,000,000 which will mature in three years. The corporate bonds bear a fixed interest rate of 5.49% per annum. Related transaction costs amounted to RMB3,600,000. The effective interest rate is 5.66% per annum.

附註：

- i. 於二零一六年六月，本集團經中國證券監督管理委員會批准於批准之日起24個月內在中國發行本金總額最多人民幣2,000,000,000元的公司債券。於二零一六年八月十二日，本集團發行首批公司債券，本金總額為人民幣250,000,000元，將於三年後到期。公司債券的固定利率為每年5.30%。相關交易成本為人民幣1,125,000元。實際利率為每年5.47%。
- ii. 於二零一七年三月二十八日，本集團發行第一批公司債券，本金總額為人民幣800,000,000元，將於三年後到期。公司債券的固定利率為每年5.49%。相關交易成本為人民幣3,600,000元。實際利率為每年5.66%。



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30. OTHER BORROWINGS

30. 其他借款

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Principal amounts payable:	應付本金額：		
Within one year	一年內		
– Collateralised borrowing (note)	– 有抵押借款(附註)	38,399	38,527
– Borrowings from Mengniu Group (note 42 (d))	– 蒙牛集團借款(附註42(d))	1,065,400	–
		1,103,799	38,527
Within a period of more than one year but not more than two years	超過一年但不超過兩年的期間		
– Collateralised borrowing (note)	– 有抵押借款(附註)	–	36,962
		1,103,799	75,489
Less: Amounts due within one year (shown under current liabilities)	減：一年內到期結算款項(列於流動負債項下)	1,103,799	38,527
Amounts due after one year	一年後到期結算款項	–	36,962

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

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



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31. DEFERRED INCOME

31. 遞延收入

		Arising from government grants 政府補貼產生的 遞延收入 RMB'000 人民幣千元
Balance at 1 January 2016	於二零一六年一月一日的結餘	141,824
Addition	添置	49,799
Released to income	撥至收入	(21,021)
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	170,602
Addition	添置	31,729
Released to income	撥至收入	(17,844)
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	184,487

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 straight-line basis over the useful lives of the related assets.

遞延收入指建設及購置物業、廠房及設備獲得的政府補貼。政府補貼在綜合財務狀況表內列作遞延收入，並於有關資產的可使用年期內按直線法計入損益。



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32. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES**Share capital****32. 股本以及股份溢價及儲備****股本**

		Number of shares 股份數目 '000 千股	Share capital 股本 HK\$'000 千港元
Ordinary shares of HK\$0.1 each Authorised At 1 January 2016, 31 December 2016 and 2017	每股0.1港元的普通股 法定 於二零一六年一月一日、 二零一六年及二零一七年 十二月三十一日	10,000,000	1,000,000
Issued and fully paid At 1 January 2016 and 31 December 2016	已發行及繳足 於二零一六年一月一日及 二零一六年十二月三十一日	5,304,768	530,477
Ordinary shares issued for acquisition of non-controlling interests (note 34(a))	為收購非控股權益而發行的 普通股(附註34(a))	338,602	33,860
Ordinary shares issued for settlement of Modified Considerations (note 20)	為結算經修訂代價而發行的 普通股(附註20)	488,037	48,804
At 31 December 2017	於二零一七年 十二月三十一日	6,131,407	613,141
		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Presented as	呈列為	526,058	452,959



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

32. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES (continued)**Other reserve****32. 股本以及股份溢價及儲備(續)****其他儲備**

		Other reserve 其他儲備 RMB'000 人民幣千元
Balance at 1 January 2016 and 31 December 2016 (note)	於二零一六年一月一日及二零一六年 十二月三十一日的結餘(附註)	1,585,752
Acquisition of non-controlling interests (note 34(a))	收購非控股權益(附註34(a))	(555,297)
Deemed acquisition of non-controlling interests (note 34(b))	視作收購非控股權益(附註34(b))	(50,502)
At 31 December 2017	於二零一七年十二月三十一日	979,953

NOTE: The balance of other reserve as at 31 December 2016 mainly represented the contribution from the owners of the Company for the operation of the Group.

附註：於二零一六年十二月三十一日其他儲備結餘主要指本公司擁有人就本集團的營運出資。

Shares held under the Share Award Scheme**根據股份獎勵計劃持有的股份**

		Shares held under the share award scheme 根據股份獎勵 計劃持有的股份 RMB'000 人民幣千元
Balance at 1 January 2016	於二零一六年一月一日的結餘	-
Purchase of ordinary shares for the share award scheme	就股份獎勵計劃購買普通股	61,424
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	61,424
Purchase of ordinary shares for the share award scheme	就股份獎勵計劃購買普通股	713
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	62,137



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

33. SHARE-BASED PAYMENT TRANSACTIONS**(a) Share Option Schemes****(i) 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 30% 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 Listing Rules, 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 0.1% of the total shares of the Company 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 were granted to two directors and 128 eligible employees (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.

33. 以股份支付的付款交易**(a) 購股權計劃****(i) 本公司的購股權計劃**

本公司的購股權計劃(「購股權計劃I」)乃根據於二零一一年十一月十七日通過的一項決議案而採納，其目的為向為本集團業務的成功作出貢獻的合資格人士給予鼓勵及獎勵。根據購股權計劃及其他購股權計劃可能授出的股份最高數目不得超過本公司不時已發行股份數目的30%。倘接納購股權會導致承授人在任何12個月期間內行使其購股權時所發行及將發行的股份總數超過本公司當時已發行股份總數的0.1%，則除非獲本公司股東在股東大會上按上市規則指定的方式批准，否則本公司董事會(「董事會」)不得向任何承授人授出購股權。

於二零一二年十二月十二日，本公司宣佈，本公司根據其於二零一一年十一月十七日採納的購股權計劃I，向兩名董事及128名合資格僱員(統稱「計劃承授人」)授出合共40,000,000份可認購本公司股本中每股面值0.10港元的股份的購股權(「購股權I」)，惟須待承授人接納後方可作實。

購股權I賦予計劃承授人於悉數行使購股權I後以行使價每股2.89港元認購合共40,000,000股新股份。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(i) The Company's Share Option Scheme I**

(continued)

Pursuant to the rules of the Share Option Scheme I, the Share Options I granted to each of the Scheme I Grantees are deemed to be divided into three tranches, each of which consists of one third of the granted options and are associated with a performance target within a 12-month financial period. The non-market based performance target, which is set up based on the job responsibilities of the respective grantees, such as production management, financial management, marketing development or procurement management, etc, has been determined by the Board and specified in the offer letter to each of the Scheme I Grantees. The financial period for the first tranche is the 12 months ended 30 June 2013; the financial period for the second tranche is the 12 months ended 30 June 2014; and the financial period for the third tranche is the 12 months ended 30 June 2015. Each tranche of the Share Options I after meeting the respective performance target and on fulfilment of the service condition are vested on a one-off basis at the end of the third financial period. Any of the Share Options I not vested as a result of non-fulfillment of the performance target at the end of the respective specific financial periods has automatically lapsed.

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 of the Company with effect on 28 June 2013.

33. 以股份支付的付款交易(續)**(a) 購股權計劃**(續)**(i) 本公司的購股權計劃I**(續)

根據購股權計劃I的規則，已授予每名計劃I承授人的購股權I被視為分作三個部分，每部分由三分之一已授出購股權組成及與十二個月財政期內的表現目標有關。非市場基準的表現目標(根據各承授人的生產管理、財務管理、市場開發或採購管理等工作職責制定)已由董事會釐定並列明於致每名計劃I承授人的要約函件上。第一部分的財政期為截至二零一三年六月三十日止十二個月；第二部分的財政期為截至二零一四年六月三十日止十二個月；而第三部分的財政期為截至二零一五年六月三十日止十二個月。購股權I各部分於達成各自的表現目標及達成服務條件後須一次性於第三個財政期結束時歸屬。於各自特定財政期結束時因未能達致表現目標以致未能歸屬的任何購股權I已自動失效。

在合共40,000,000份購股權I之中，5,000,000份購股權I已分別授予本公司兩名董事(「購股權A」)及餘下購股權I已授予128名合資格僱員(「購股權B」)。按購股權B獲授的孫玉剛先生於二零一三年六月二十八日獲委任為本公司董事。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(i) 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	類別	Outstanding as at 1 January 2017 於二零一七年一月一日尚未行使	Accepted the Offer during the year 年內接受要約 (note v) (附註v)	Outstanding as at 31 December 2017 於二零一七年十二月三十一日尚未行使
Share Option A	購股權A	4,780,267	(4,780,267)	-
Share Option B	購股權B	22,543,048	(22,543,048)	-
		27,323,315	(27,323,315)	-

Category	類別	Outstanding as at 1 January 2016 於二零一六年一月一日尚未行使	Forfeited* during the year 年內沒收*	Outstanding as at 31 December 2016 於二零一六年十二月三十一日尚未行使
Share Option A	購股權A	4,780,267	-	4,780,267
Share Option B	購股權B	24,603,489	(2,060,441)	22,543,048
		29,383,756	(2,060,441)	27,323,315

33. 以股份支付的付款交易(續)**(a) 購股權計劃(續)****(i) 本公司的購股權計劃I(續)**

購股權I的其他資料載列如下：

購股權I的行使價：	2.89港元
股份於授出日期的收市價：	1.98港元
購股權I的有效期：	五(5)年，由購股權已歸屬日期起計

下表披露報告期內購股權I的變動：



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(I) The Company's Share Option Scheme I**

(continued)

* Pursuant to the rules of Share Options I, the Share Options I were forfeited after vesting due to the fact that the relevant Scheme I Grantees had not exercised their share options within one month after resignation from the Group. Accordingly, the amount of RMB1,015,000 previously recognised in share options reserve in relation to these forfeited options was transferred to retained earnings for the year ended 31 December 2016.

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

No share option expense in respect of the Share Options I was recognised during both years.

(II) 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 30% 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 Listing Rules, 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 0.1% of the total shares of the Company then in issue.

33. 以股份支付的付款交易(續)**(a) 購股權計劃(續)****(I) 本公司的購股權計劃I(續)**

* 根據購股權I的規則，由於相關計劃I承授人從本集團請辭後一個月內並無行使，故購股權I歸屬後被沒收。因此，於本年度，之前就該等已沒收購股權於購股權儲備確認的人民幣1,015,000元金額轉撥至截至二零一六年十二月三十一日止年度的保留盈利。

於授出日期使用二項式期權定價模型釐定的購股權A及購股權B公平值分別為3,322,000港元(相當於人民幣2,696,000元)及21,626,000港元(相當於人民幣17,547,000元)。

於兩個年度期間，概無確認購股權I的購股權開支。

(II) 本公司的購股權計劃II

本公司的購股權計劃II(「購股權計劃II」)乃根據於二零一四年六月五日通過的一項決議案而採納，其目的為向為本集團業務的成功作出貢獻的合資格人士給予鼓勵及獎勵。根據購股權計劃II及其他購股權計劃可能授出的股份最高數目不得超過本公司於二零一四年六月五日已發行股份數目的30%。倘接納購股權會導致承授人在任何12個月期間內行使其購股權時所發行及將發行的股份總數超過本公司當時已發行股份總數的0.1%，則除非獲本公司股東在股東大會上按上市規則指定的方式批准，否則董事會不得向任何承授人授出購股權。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)*(II-i) The Share Options II-i*

On 6 June 2014, the Company announced that a total of 80,000,000 share options (the “Share Options II-i”) to subscribe for the shares were granted to three directors and 148 eligible employees (collectively referred to as the “Scheme II-i Grantees”), subject to acceptance of the Scheme II-i Grantees, under the Share Option Scheme II adopted by the Company on 5 June 2014.

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

Pursuant to the rules of the Share Option Scheme II, the Share Options II-i granted to each of the Scheme II-i Grantees are deemed to be divided into three tranches, each of which consists of one third of the Share Options II-i and are associated with a performance target within a 12-month financial period. The non-market based performance target, which is set up based on the job responsibilities of the respective grantees, such as production management, financial management, marketing development or procurement management, etc, has been determined by the Board and specified in the offer letter to each of the Scheme II-i Grantees. The financial period for the first tranche is the financial year ended 31 December 2014; the financial period for the second tranche is the financial year ended 31 December 2015; and the financial period for the third tranche is the financial year ending 31 December 2016. Each tranche of the Share Options II-i after meeting the respective performance target and on fulfilment of the service condition will be vested on a one-off basis at the end of the third financial period. Any of the Share Options II-i not vested as a result of non-fulfilment of the performance target at the end of the respective specific financial period shall automatically lapse.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)*(II-i) 購股權計劃II-i*

於二零一四年六月六日，本公司宣佈，根據本公司於二零一四年六月五日採納的購股權計劃II，向三名董事及148名合資格僱員（統稱「計劃II-i承授人」）授出合共80,000,000份可認購股份的購股權（「購股權II-i」），惟須待計劃II-i承授人接納後方可作實。

購股權II-i賦予計劃II-i承授人於悉數行使購股權II-i後以行使價每股3.38港元認購合共80,000,000股新股份。

根據購股權計劃II的規則，已授予每名計劃II-i承授人的購股權II-i被視為分作三個部分，每部分由三分之一購股權II-i組成及與十二個月財政期內的表現目標有關。非市場基準的表現目標（根據各承授人的生產管理、財務管理、市場開發或採購管理等工作職責制定）已由董事會釐定並列明於致每名計劃II-i承授人的要約函件上。第一部分的財政期為截至二零一四年十二月三十一日止財政年度；第二部分的財政期為截至二零一五年十二月三十一日止財政年度；而第三部分的財政期為截至二零一六年十二月三十一日止財政年度。購股權II-i各部分於達致各自的表現目標及達成服務條件後將一次性於第三個財政期結束時歸屬。於各自特定財政期結束時因未能達致表現目標以致未能歸屬的任何購股權II-i將自動失效。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)*(II-i) The Share Options II-i* (continued)

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

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

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

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

Category	類別	Outstanding as at 1 January 2017 於二零一七年一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Accepted the Offer during the year 年內接受要約 (note v) (附註v)	Outstanding as at 31 December 2017 於二零一七年十二月三十一日 尚未行使
Share Option C	購股權C	16,779,823	-	-	(16,779,823)	-
Share Option D	購股權D	47,864,796	-	-	(47,864,796)	-
		64,644,619	-	-	(64,644,619)	-

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)*(II-i) 購股權計劃II-i* (續)

在合共80,000,000份購股權II-i之中，17,000,000份購股權II-i已分別授予本公司三名董事(「購股權C」)及餘下購股權II-i已授予148名合資格僱員(「購股權D」)。

購股權II-i的其他資料載列如下：

購股權II-i的行使價：	3.38港元
股份於授出日期的收市價：	3.38港元
購股權II-i的有效期：	五(5)年，由購股權II-i已歸屬日期起計

下表披露報告期內購股權II-i的變動：



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)(II-i) *The Share Options II-i* (continued)

Category	類別	Outstanding as at 1 January 2016 於二零一六年 一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Forfeited during the year 年內沒收	Outstanding as at 31 December 2016 於二零一六年 十二月三十一日 尚未行使
Share Option C	購股權C	16,779,823	-	-	-	16,779,823
Share Option D	購股權D	52,542,911	-	-	(4,678,115)	47,864,796
		69,322,734	-	-	(4,678,115)	64,644,619

The fair values of the Share Option C and the Share Option D determined at the date 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.

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

The Group recognised a share option expense of RMB30,019,000 (2017: nil) in respect of the Share Options II-i during the year ended 31 December 2016.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)(II-i) *購股權計劃II-i* (續)

於授出日期使用二項式期權定價模型釐定的購股權C及購股權D公平值分別為25,827,000港元(相當於人民幣20,530,000元)及83,969,000港元(相當於人民幣66,747,000元)。

用於計算購股權公平值的變量及假設是按董事的最佳估計為基準。變量及假設的變動可能會導致購股權II-i的公平值出現變動。

本集團於截至二零一六年十二月三十一日止年度就購股權計劃II-i確認購股權開支人民幣30,019,000元(二零一七年：無)。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Company's Share Option Scheme II** (continued)*(II-ii) The Share Options II-ii* (continued)

On 17 June 2015, the Company announced that a total of 10,966,673 share options (the "Share Options II-ii") to subscribe for the shares were granted to one executive and 31 eligible employees (collectively referred to as the "Scheme II-ii Grantees"), under the Share Option Scheme II adopted by the Company on 5 June 2014.

The Share Options II-ii shall entitle the Scheme II-ii Grantees to subscribe for an aggregate of 10,966,673 new shares upon the exercise of the Share Options II-ii in full at an exercise price of HK\$2.83 per share.

Pursuant to the rules of the Share Option Scheme II, the Share Options II-ii granted to each of the Scheme II-ii Grantees are deemed to be divided into three tranches, each of which consists of one third of the Share Options II-ii and are associated with a performance target within a specific financial period. The non-market based performance target, which is set up based on the job responsibilities of the respective grantees, such as production management, financial management, marketing development or procurement management, etc, has been determined by the Board and specified in the offer letter to each of the Scheme II-ii Grantees. The financial period for the first tranche is the financial year ended 31 December 2014 and there is no performance condition but only service condition attached to the first tranche; the financial period for the second tranche is the financial year ended 31 December 2015; and the financial period for the third tranche is the financial year ending 31 December 2016. Each tranche of the Share Options II-ii after meeting the respective performance target and on fulfilment of the service condition will be vested on a one-off basis at the end of the third financial period. Any of the Share Options II-ii not vested as a result of non-fulfilment of the performance target at the end of the respective specific financial period shall automatically lapse.

33. 以股份支付的付款交易(續)**(a) 購股權計劃**(續)**(II) 本公司的購股權計劃II**(續)*(II-i) 購股權計畫II-i*(續)

於二零一五年六月十七日，本公司宣佈，根據本公司於二零一四年六月五日採納的購股權計劃II，向一名高管及31名合資格僱員(統稱「計劃II-ii承授人」)授出合共10,966,673份可認購股份的購股權(「購股權II-ii」)。

購股權II-ii賦予計劃II-ii承授人於悉數行使購股權II-ii後以行使價每股2.83港元認購合共10,966,673股新股份。

根據購股權計劃II的規則，已授予每名計劃II-ii承授人的購股權II-ii被視為分作三個部分，每部分由三分之一購股權II-ii組成及與特定財政期內的表现目標有關。非市場基準的表现目標(根據各承授人的生產管理、財務管理、市場開發或採購管理等工作職責制定)已由董事會釐定並列明於致每名計劃II-ii承授人的要約函件上。第一部分的財政期為截至二零一四年十二月三十一日止財政年度，第一部分並無附帶表現條件，惟僅附帶服務條件；第二部分的財政期為截至二零一五年十二月三十一日止財政年度；而第三部分的財政期為截至二零一六年十二月三十一日止財政年度。購股權II-ii各部分於達致各自的表现目標及達成服務條件後將一次性於第三個財政期結束時歸屬。於各自特定財政期結束時因未能達致表現目標以致未能歸屬的任何購股權II-ii將自動失效。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)*(II-ii) The Share Options II-ii* (continued)

Out of the aggregate of 10,966,673 Share Options II-ii, 3,333,333 Share Options II-ii were granted to an executive of the Company (the "Share Option E") and the remaining Share Options II-ii were granted to 31 eligible employees (the "Share Option F"), respectively.

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

Exercise price of the Share Options II-ii:	HK\$2.83
Closing price of the shares on the date of grant:	HK\$2.72
Validity period of the Share Options II-ii:	Five (5) years on the date when the Share Options II-ii became vested

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

Category	類別	Outstanding as at 1 January 2017 於二零一七年一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Accepted the Offer during the year 年內接受要約 (note v) (附註v)	Outstanding as at 31 December 2017 於二零一七年十二月三十一日 尚未行使
Share Option E	購股權E	3,333,333	-	-	(3,333,333)	-
Share Option F	購股權F	4,343,355	-	-	(4,343,355)	-
		7,676,688	-	-	(7,676,688)	-

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)*(II-i) 購股權計劃II-i* (續)

在合共10,966,673份購股權II-ii之中，3,333,333份購股權II-ii已分別授予本公司一名高管(「購股權E」)及餘下購股權II-ii已授予31名合資格僱員(「購股權F」)。

購股權II-ii的其他資料載列如下：

購股權II-ii的行使價：	2.83港元
股份於授出日期的收市價：	2.72港元
購股權II-ii的有效期：	五(5)年，由購股權II-ii已歸屬日期起計

下表披露報告期內購股權II-ii的變動：



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)(II-i) *The Share Options II-i* (continued)

Category	類別	Outstanding as at 1 January 2016 於二零一六年 一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Forfeited during the year 年內沒收	Outstanding as at 31 December 2016 於二零一六年 十二月三十一日 尚未行使
Share Option E	購股權E	3,333,333	-	-	-	3,333,333
Share Option F	購股權F	4,969,456	-	-	(626,101)	4,343,355
		8,302,789	-	-	(626,101)	7,676,688

The fair values of the Share Option E and the Share Option F determined at the date of grant using the Binomial Option Pricing Model were HK\$3,772,000 (equivalent to RMB2,975,000) and HK\$7,389,000 (equivalent to RMB5,827,000) respectively.

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

The Group recognised a share option expense of RMB2,619,000 (2017: nil) in respect of the Share Options II-i during the year ended 31 December 2016.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)(II-i) *購股權計畫II-i* (續)

於授出日期使用二項式期權定價模型釐定的購股權E及購股權F的公平值分別為3,772,000港元(相當於人民幣2,975,000元)及7,389,000港元(相當於人民幣5,827,000元)。

用於計算購股權公平值的變量及假設是按董事的最佳估計為基準。變量及假設的變動可能會導致購股權II-i的公平值出現變動。

本公司於截至二零一六年十二月三十一日止年度就購股權II-i確認購股權開支人民幣2,619,000元(二零一七年：零)。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)*(II-iii) The Share Options II-iii*

On 9 September 2016, the Company announced that a total of 9,033,327 share options (the “Share Options II-iii”) to subscribe for shares were granted to 4 executives (including two directors) and 3 eligible employees (collectively, the “Scheme II-iii Grantees”), under the Share Option Scheme II adopted by the Company on 5 June 2014.

The Share Options II-iii shall entitle the Scheme II-iii Grantees to subscribe for an aggregate of 9,033,327 new shares upon the exercise of the Share Options II-iii in full at an exercise price of HK\$1.52 per share.

Pursuant to the rules of the Share Option Scheme II, the Share Options II-iii granted to each of the Scheme II-iii Grantees are associated with a performance target for the year ended 31 December 2016. The non-market based performance target, which is set up based on the job responsibilities of the respective grantees, such as production management, financial management, marketing development or procurement management, etc, has been determined by the Board and specified in the offer letter to each of the Scheme II-iii Grantees. The Share Options II-iii after meeting the performance target and on fulfilment of the service condition are vested on a one-off basis at 31 December 2016. Any of the Share Options II-iii not vested as a result of non-fulfillment of the performance target shall automatically lapse.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)*(II-iii) 購股權II-iii*

於二零一六年九月九日，本公司宣佈，本公司根據其於二零一四年六月五日採納的購股權計劃II，向4名行政人員(包括兩名董事)及3名合資格僱員(統稱「計劃II-iii承授人」)授出合共9,033,327份可認購股份的購股權(「購股權II-iii」)。

購股權II-iii賦予計劃II-iii承授人於悉數行使購股權II-iii後以行使價每股1.52港元認購合共9,033,327股新股份。

根據購股權計劃II的規則，已授予每名計劃II-iii承授人的購股權II-iii與截至二零一六年十二月三十一日止年度的表現目標有關。非市場基準的表現目標(根據各承授人的生產管理、財務管理、市場開發或採購管理等工作職責制定)已由董事會釐定並列明於致每名計劃II-iii承授人的要約函件上。購股權II-iii於達致表現目標及達成服務條件後須一次性於二零一六年十二月三十一日歸屬。因未能達致表現目標以致未能歸屬的任何購股權II-iii將自動失效。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)*(II-iii) The Share Options II-iii* (continued)

Out of the aggregate of 9,033,327 Share Options II-iii, 6,500,000 Share Options II-iii were granted to 4 executives of the Company (“Share Option G”) and the remaining Share Options II-iii were granted to three eligible employees (“Share Option H”), respectively.

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

Exercise price of the Share Options II-iii:	HK\$1.52
Closing price of the shares on the date of grant:	HK\$1.51
Validity period of the Share Options II-iii:	Five (5) years on the date when the Options become vested

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

Category	類別	Outstanding as at 1 January 2017 於二零一七年一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Accepted the Offer during the year 年內接受要約 (note v) (附註v)	Outstanding as at 31 December 2017 於二零一七年十二月三十一日 尚未行使
Share Option G	購股權G	6,500,000	-	-	(6,500,000)	-
Share Option H	購股權H	2,533,327	-	-	(2,533,327)	-
		9,033,327	-	-	(9,033,327)	-

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)*(II-iii) 購股權II-iii* (續)

在合共9,033,327份購股權II-iii之中，6,500,000份購股權II-iii已分別授予本公司4名行政人員(「購股權G」)及餘下購股權II-iii已授予三名合資格僱員(「購股權H」)。

購股權II-iii的其他資料載列如下：

購股權II-iii的行使價：	1.52港元
股份於授出日期的收市價：	1.51港元
購股權II-iii的有效期：	五(5)年，由購股權已歸屬日期起計

下表披露報告期內購股權II-iii的變動：



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)

(II-iii) The Share Options II-iii (continued)

Category	類別	Outstanding as at 1 January 2016 於二零一六年 一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Forfeited during the year 年內沒收	Outstanding as at 31 December 2016 於二零一六年 十二月三十一日 尚未行使
Share Option G	購股權G	-	6,500,000	-	-	6,500,000
Share Option H	購股權H	-	2,533,327	-	-	2,533,327
		-	9,033,327	-	-	9,033,327

The fair values of Share Option G and Share Option H determined at the date of grant using the Binomial Option Pricing Model were HK\$3,958,000 (equivalent to RMB3,400,000) and HK\$1,394,000 (equivalent to RMB1,197,000) respectively.

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

		Share Options G 購股權G	Share Options H 購股權H
Grant date share price	授出日期的股價	HK\$1.51	HK\$1.51
Exercise price	行使價	HK\$1.52	HK\$1.52
Expected volatility	預期波幅	46.19%	46.19%
Option life	購股權期限	Five years	Five years
Dividend yield	股息收益	0.00%	0.00%
Risk-free interest rate	無風險利率	0.72%	0.72%
Sub-optimal factor	次佳因素	2.8	2.2

Expected volatility was determined by using the historical volatility of the Company's share price over the years since being listed.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃 (續)****(II) 本公司的購股權計劃II (續)**

(II-iii) 購股權II-iii (續)

於授出日期使用二項式期權定價模型釐定的購股權G及購股權H公平值分別為3,958,000港元(相當於人民幣3,400,000元)及1,394,000港元(相當於人民幣1,197,000元)。

以下假設乃用作計算購股權II-iii的公平值：

預期波幅乃使用本公司自上市以來數年股價的歷史波幅釐定。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(II) The Share Option Scheme II** (continued)*(II-iii) The Share Options II-iii* (continued)

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

The Group recognised a share option expense of RMB4,462,000 (2017: nil) in respect of the Share Options II-iii during the year ended 31 December 2016.

(III) The Company's Share Option Scheme III

The Company's share option scheme III (the "Share Option Scheme III") was adopted pursuant to a resolution passed on 30 September 2016 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 III and other share option schemes shall not exceed 30% 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 Listing Rules, 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 0.1% of the total shares of the Company then in issue.

On 8 November 2016, the Company announced that a total of 146,650,000 share options (the "Share Options III") to subscribe for shares of HK\$0.10 each in the capital of the Company were granted to 7 executives (including 2 directors) and 222 eligible employees (collectively, the "Scheme III Grantees"), subject to acceptance of the grantees, under the Company's Share Option Scheme III adopted by the Company on 8 November 2016.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(II) 本公司的購股權計劃II** (續)*(II-iii) 購股權II-iii* (續)

用於計算購股權公平值的變量及假設是按董事的最佳估計為基準。變量及假設的變動可能會導致購股權II-iii的公平值出現變動。

截至二零一六年十二月三十一日止年度，本集團確認購股權II-iii的購股權開支人民幣4,462,000元(二零一七年：無)。

(III) 購股權計劃III

本公司的購股權計劃III(「購股權計劃III」)乃根據於二零一六年九月三十日通過的一項決議案而採納，其目的為向為本集團業務的成功作出貢獻的合資格人士給予鼓勵及獎勵。根據購股權計劃III及其他購股權計劃可能授出的股份最高數目不得超過本公司不時已發行股份數目的30%。倘接納購股權會導致承授人在任何12個月期間內行使其購股權時所發行及將發行的股份總數超過本公司當時已發行股份總數的0.1%，則除非獲本公司股東在股東大會上按上市規則指定的方式批准，否則董事會不得向任何承授人授出購股權。

於二零一六年十一月八日，本公司宣佈，本公司根據其於二零一六年十一月八日採納的購股權計劃III，向7名行政人員(包括2名董事)及222名合資格僱員(統稱「計劃III承授人」)授出合共146,650,000份可認購本公司股本中每股面值0.10港元的股份的購股權(「購股權III」)，惟須待承授人接納後方可作實。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(III) The Share Option Scheme III** (continued)

The Share Options III shall entitle the Scheme III Grantees to subscribe for an aggregate of 146,650,000 new shares upon the exercise of the Share Options III in full at an exercise price of HK\$1.71 per share.

Pursuant to the rules of the Share Option Scheme III, the Share Options III granted to each of the Scheme III Grantees are deemed to be divided into three tranches, each of which consists of one third of the granted options and are associated with a performance target within a 12-month financial period. The non-market based performance target, which is set up based on the job responsibilities of the respective grantees, such as production management, financial management, marketing development or procurement management, etc, has been determined by the Board and specified in the offer letter to each of the Scheme III Grantees. The financial period for the first tranche is the 12 months ended 31 December 2016; the financial period for the second tranche is the 12 months ended 31 December 2017; and the financial period for the third tranche is the 12 months ended 31 December 2018. Each tranche of the Share Options III after meeting the respective performance target and on fulfilment of the service condition are vested on a one-off basis at the end of the third financial period. Any of the Share Options III not vested as a result of non-fulfillment of the performance target at the end of the respective specific financial periods shall automatically lapse.

Out of the aggregate of 146,650,000 Share Options III, 38,600,000 Share Options III were granted to 7 executives of the Company ("Share Option I") and the remaining Share Options III were granted to 222 eligible employees ("Share Option J"), respectively.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(III) 購股權計劃III** (續)

購股權III賦予計劃III承授人於悉數行使購股權III後以行使價每股1.71港元認購合共146,650,000股新股份。

根據購股權計劃III的規則，已授予每名計劃III承授人的購股權III被視為分作三個部分，每部分由三分之一已授出購股權組成及與十二個月財政期內的表现目標有關。非市場基準的表现目標(根據各承授人的生產管理、財務管理、市場開發或採購管理等工作職責制定)已由董事會釐定並列明於致每名計劃III承授人的要約函件上。第一部分的財政期為截至二零一六年十二月三十一日止十二個月；第二部分的財政期為截至二零一七年十二月三十一日止十二個月；而第三部分的財政期為截至二零一八年十二月三十一日止十二個月。購股權III各部分於達致各自的表現目標及達成服務條件後須一次性於第三個財政期結束時歸屬。於各自特定財政期結束時因未能達致表現目標以致未能歸屬的任何購股權III將自動失效。

在合共146,650,000份購股權III之中，38,600,000份購股權III已分別授予本公司7名行政人員(「購股權I」)及餘下購股權III已授予222名合資格僱員(「購股權J」)。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(III) The Share Option Scheme III** (continued)

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

Exercise price of the Share Options III:	HK\$1.71
Closing price of the shares on the date of grant:	HK\$1.71
Validity period of the Share Options III:	Five (5) years on the date when the Options become vested

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

Category	類別	Outstanding as at 1 January 2017 於二零一七年一月一日 尚未行使	Granted during the year 年內授出	Forfeited during the year 年內沒收	Accepted the Offer during the year 年內接受要約 (note v) (附註v)	Outstanding as at 31 December 2017 於二零一七年十二月三十一日 尚未行使
Share Option I	購股權I	38,600,000	-	-	(38,600,000)	-
Share Option J	購股權J	108,050,000	-	(150,000)	(107,900,000)	-
		146,650,000	-	(150,000)	(146,500,000)	-

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(III) 購股權計劃III** (續)

購股權III的其他資料載列如下：

購股權III的行使價：	1.71港元
股份於授出日期的收市價：	1.71港元
購股權III的有效期期：	五(5)年，由購股權已歸屬日期起計

下表披露報告期內購股權III的變動：



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(III) The Share Option Scheme III** (continued)

Category	類別	Outstanding as at 1 January 2016 於二零一六年 一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Forfeited during the year 年內沒收	Outstanding as at 31 December 2016 於二零一六年 十二月三十一日 尚未行使
Share Option I	購股權I	-	38,600,000	-	-	38,600,000
Share Option J	購股權J	-	108,050,000	-	-	108,050,000
		-	146,650,000	-	-	146,650,000

The fair values of Share Option I and Share Option J determined at the date of grant using the Binomial Option Pricing Model were HK\$30,810,000 (equivalent to RMB26,941,000) and HK\$80,124,000 (equivalent to RMB70,061,000) respectively.

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

		Share Options I 購股權I	Share Options J 購股權J
Grant date share price	授出日期的股價	HK\$1.71	HK\$1.71
Exercise price	行使價	HK\$1.71	HK\$1.71
Expected volatility	預期波幅	46.55%	46.55%
Option life	購股權期限	Five years	Five years
Dividend yield	股息收益	0.00%	0.00%
Risk-free interest rate	無風險利率	0.92%	0.92%
Sub-optimal factor	次佳因素	2.8	2.2

Expected volatility was determined by using the historical volatility of the Company's share price over the years since being listed.

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(III) 購股權計劃III** (續)

於授出日期使用二項式期權定價模型釐定的購股權I及購股權J公平值分別為30,810,000港元(相當於人民幣26,941,000元)及80,124,000港元(相當於人民幣70,061,000元)。

以下假設乃用作計算購股權III的公平值：

預期波幅乃使用本公司自上市以來數年股價的歷史波幅釐定。



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(III) The Share Option Scheme III** (continued)

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

The Company recognised a share option expense of RMB6,043,000 during the year ended 31 December 2016 in respect of the Share Option III, taking into consideration of forfeiture before vesting. None of the Share Option III was exercisable as at 31 December 2016.

(IV) Modern Farming Option Scheme

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

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

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(III) 購股權計劃III** (續)

用於計算購股權公平值的變量及假設是按董事的最佳估計為基準。變量及假設的變動可能會導致購股權III的公平值出現變動。

經計及歸屬前沒收，本公司截至二零一六年十二月三十一日止年度就購股權III確認購股權開支人民幣6,043,000元。於二零一六年十二月三十一日並無行使購股權III。

(IV) 現代牧業購股權計劃

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

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



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(IV) Modern Farming Option Scheme** (continued)

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

Category	類別	Outstanding as at 1 January 2017 於二零一七年一月一日尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Accepted the Offer during the year 年內接受要約 (note v) (附註v)	Outstanding and exercisable as at 31 December 2017 於二零一七年十二月三十一日尚未行使及可行使
Management Options	管理層購股權	60,073,756	-	-	(9,142,924)	50,930,832

Category	類別	Outstanding as at 1 January 2016 於二零一六年一月一日尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Forfeited during the year 年內沒收	Outstanding and exercisable as at 31 December 2016 於二零一六年十二月三十一日尚未行使及可行使
Management Options	管理層購股權	60,073,756	-	-	-	60,073,756

33. 以股份支付的付款交易 (續)**(a) 購股權計劃** (續)**(IV) 現代牧業購股權計劃** (續)

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



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Share Option Schemes** (continued)**(V) Cancellation of share options**

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

33. 以股份支付的付款交易(續)**(a) 購股權計劃**(續)**(V) 購股權註銷**

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



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) Share Award Scheme**

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

33. 以股份支付的付款交易(續)**(b) 股份獎勵計劃**

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



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) Share Award Scheme** (continued)

Based on the trust arrangements among the Company, the sole shareholder of the Trustee and the Trustee, the Company is able to control the Trustee and its subsidiary, Dairy Fortune, pursuant to IFRS 10 Consolidated Financial Statements. Therefore, the Group accounts for the Trustee and Dairy Fortune as consolidated structured entities. The ordinary shares of the Company held by Dairy Fortune as at 31 December 2017 are accounted for as a debit to the Group's reserve and are presented under the account of "Shares held under the Share Award Scheme" in the consolidated financial statements.

On 21 April 2017 (the "Grant Date"), a total number of 35,969,000 Award Shares were granted to the selected participants. Out of the total shares granted, 6,637,000 Award Shares were granted to certain members of management (the "Award Shares A"), which would vest in the third anniversary of the Grant Date provided that certain performance and service conditions are met. The remaining Award Shares of 29,332,000 were granted to the certain members of management and the eligible employees (the "Award Shares B"), which would vest in the second anniversary of the Grant Date provided they are still employed by the Group.

The following table discloses movements of the Award Shares during the reporting period:

Category 類別	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Forfeited due to resignation during the year	Outstanding as at 31 December 2017
	於二零一七年 一月一日 尚未行使			年內授出	年內行使
Award Shares A 獎勵股份A	-	6,637,000	-	(950,000)	5,687,000
Award Shares B 獎勵股份B	-	29,332,000	-	(3,731,000)	25,601,000
	-	35,969,000	-	(4,681,000)	31,288,000

33. 以股份支付的付款交易 (續)**(b) 股份獎勵計劃** (續)

根據本公司、受託人的唯一股東及受託人之間的信託安排，本公司根據國際財務報告準則第10號綜合財務報表能夠控制受託人及其附屬公司Dairy Fortune。因此，本集團將受託人及Dairy Fortune入賬列為綜合架構實體。Dairy Fortune於二零一七年十二月三十一日所持本公司普通股入賬列為本集團儲備借記，並列示於綜合財務報表「根據股份獎勵計劃持有的股份」項下。

於二零一七年四月二十一日（「授出日期」），合共35,969,000股獎勵股份授予選定參與者。於所有授出股份中，6,637,000股獎勵股份（「獎勵股份A」）授予若干管理層成員，於授出日期的第三個周年歸屬，惟須符合若干表現及服務條件。餘下29,332,000股獎勵股份則授予若干管理層成員及合資格僱員（「獎勵股份B」），於授出日期的第二個周年歸屬，惟彼等須仍受僱於本集團。

下表披露獎勵股份於報告期間的變動：



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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) Share Award Scheme** (continued)

The fair values of Award Shares A and Award Shares B determined at the date of grant using Black-Scholes Model were HK\$7,731,000 (equivalent to RMB6,844,000) and HK\$36,265,000 (equivalent to RMB32,102,000) respectively.

The following assumptions were used to calculate the fair values of the Award Shares:

		Award Shares A 獎勵股份A	Award Shares B 獎勵股份B
Grant date share price	授出日期的股價	HK\$1.66	HK\$1.66
Strike Price	行使價	HK\$1.66	HK\$1.66
Risk-free interest rate	無風險利率	1.44%	1.30%
Maturity years	到期年	3	2
Expected volatility	預期波幅	48.53%	49.05%
Dividend yield	股息收益	0.00%	0.00%
Option value	購股權價值	HK\$0.50	HK\$0.42

Expected volatility was determined by using the historical volatility of the Company's share price.

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

The Group recognised a share award expense of RMB14,517,000 accordingly during the current year.

33. 以股份支付的付款交易(續)**(b) 股份獎勵計劃(續)**

獎勵股份A及獎勵股份B於授出日期使用布萊克－舒爾茨模式釐定的公平值分別為7,731,000港元(相當於人民幣6,844,000元)及36,265,000港元(相當於人民幣32,102,000元)。

採用以下假設計算獎勵股份的公平值：

		Award Shares A 獎勵股份A	Award Shares B 獎勵股份B
Grant date share price	授出日期的股價	HK\$1.66	HK\$1.66
Strike Price	行使價	HK\$1.66	HK\$1.66
Risk-free interest rate	無風險利率	1.44%	1.30%
Maturity years	到期年	3	2
Expected volatility	預期波幅	48.53%	49.05%
Dividend yield	股息收益	0.00%	0.00%
Option value	購股權價值	HK\$0.50	HK\$0.42

預期波幅乃使用本公司股價的歷史波幅釐定。

用於計算購股權公平值的變量及假設是按董事的最佳估計為基準。變量及假設的變動可能會導致獎勵股份公平值出現變動。

於本年度，本集團確認股份獎勵開支為人民幣14,517,000元。



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34. ACQUISITION OF NON-CONTROLLING INTERESTS**(a) Acquisition of Modern Farming Anhui**

On 25 January 2017, the Company issued 338,602,205 ordinary shares of the Company to the holding companies owned by the non-controlling equity holders of Modern Farming Anhui (a subsidiary of the Group), which are non-related to the Group, in exchange for the 100% shareholding interest of Strong Alliance Investment Holdings Company Limited, which indirectly owned 45% interest of equity interest in Modern Farming Anhui and bank balances of RMB1,800,000. After the acquisition, Modern Farming Anhui is owned as to 45% by the Company and as to 55% by Modern Farming. The excess of RMB541,961,000, being the difference of the fair value of the ordinary shares issued of RMB571,903,000 and the par value of the ordinary shares of HK\$33,860,000 (equivalent to RMB29,942,000), was recorded in share premium. The excess of RMB555,297,000 between the fair value of the consideration transferred over the carrying amount of the non-controlling interests and bank balances acquired is debited to the Group's other reserve.

(b) Deemed acquisition of non-controlling interests

In October 2017, Modern Farming acquired each of the 50% equity interests in Modern Farming (Shanghe) Co., Ltd. (the "Shanghe") from the Company's wholly owned subsidiaries, Asia Dairy Trading & Holdings Limited and Asia Dairy Trading & Holdings II Limited (the "ADTH Companies") by issuing paid-in capital of RMB231,825,000 of Modern Farming to the ADTH Companies. After completion of the acquisition, the Company indirectly held 98.18% (31 December 2016: 97.87%) of the paid-in capital of Modern Farming, and the non-controlling equity holders held 1.82% (31 December 2016: 2.13%) of the paid-in capital of Modern Farming. The amount of RMB50,502,000 which represents the difference of the carrying amount of non-controlling interests of Modern Farming immediately before and after the transaction is directly debited to other reserve.

34. 收購非控股權益**(a) 收購現代牧業(安徽)**

於二零一七年一月二十五日，本公司向本集團附屬公司現代牧業(安徽)之非控股權益持有人擁有的控股公司(其與本集團並無關連)發行338,602,205股本公司普通股，以交換Strong Alliance Investment Holdings Company Limited(其間接擁有現代牧業(安徽)45%股權)全部股權及銀行結餘人民幣1,800,000元。該收購事項後，現代牧業(安徽)由本公司及現代牧業分別擁有45%及55%權益。超額人民幣541,961,000元為已發行普通股公平值人民幣571,903,000元與普通股面值人民幣33,860,000元(相當於人民幣29,942,000元)之間的差額，並記錄於股份溢價。已轉撥代價公平值超出所收購非控股權益及銀行結餘賬面值的人民幣555,297,000元於本集團其他儲備中扣除。

(b) 視作收購非控股權益

於二零一七年十月，現代牧業透過向本公司全資附屬公司Asia Dairy Trading & Holdings Limited及Asia Dairy Trading & Holdings II Limited(「ADTH公司」)發行其實繳資本人民幣231,825,000元，自ADTH公司分別收購現代牧業(商河)有限公司(商河)50%股權。該收購事項完成後，本公司間接持有現代牧業實繳資本98.18%(二零一六年十二月三十一日：97.87%)，而非控股權益擁有人持有現代牧業實繳資本1.82%(二零一六年十二月三十一日：2.13%)。人民幣50,502,000元的金額指直接於其他儲備中扣除的現代牧業非控股權益緊接交易前與緊隨交易後的賬面值差額。



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35. 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 from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, short-term debentures, medium-term notes, corporate bonds and other borrowings as disclosed in notes 26, 27, 28, 29 and 30 respectively, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

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 issues of new shares and the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

35. 資本風險管理

本集團的資金管理旨在確保本集團旗下實體的持續經營能力，同時透過優化債務及股本結餘為利益相關者謀求最大回報。本集團的整體策略較去年保持不變。

本集團的資本架構由債務淨額(包括銀行借款、短期債券、中期票據、公司債券及其他借款(分別披露於附註26、27、28、29及30)，扣除銀行結餘及現金)及本公司持有人應佔權益(包括已發行股本、股份溢價及儲備)組成。

本集團的管理層定期檢討資本架構。作為檢討的一環，管理層會考慮資本成本及各類資本涉及的風險。本集團透過發行新股份及發行新債務或贖回現有債務等方式保持整體資本架構的平衡。

36. 金融工具

金融工具類別

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Financial assets:	金融資產：		
Loans and receivables (including pledged bank balances, non-pledged bank deposits and cash and bank balances)	貸款及應收款項(包括已質押銀行結餘、未質押銀行存款及現金及銀行結餘)	1,701,003	2,440,343
AFS equity investment	可供出售股權投資	12,934	24,955
Financial assets at FVTPL	按公平值計入損益的金融資產		
– The Forward	– 遠期	–	11,236
– The Swap II	– 掉期二	31,704	N/A 不適用
Financial liabilities:	金融負債：		
Amortised cost	攤銷成本	9,342,324	9,440,007
Financial liabilities at FVTPL	按公平值計入損益的金融負債		
– The Swap I	– 掉期一	N/A 不適用	126
– Modified Considerations	– 經修訂代價	N/A 不適用	926,932



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36. FINANCIAL INSTRUMENTS (continued)**Financial risk management objectives and policies**

The Group's major financial instruments include AFS equity investment, trade and other receivables, pledged bank balances, non-pledged bank deposits, cash and bank balances, other financial assets, trade and other payables, bank and other borrowings, short-term debentures, medium-term notes, corporate bonds and 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, interest rate risk and other price 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.

Market risk*(i) 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.

As at 31 December 2017, the major assets denominated in foreign currency are cash and bank balances disclosed in note 24. The major liabilities denominated in foreign currency are bank borrowings disclosed in note 26.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

36. 金融工具(續)**金融風險管理的目標及政策**

本集團的主要金融工具包括可供出售股權投資、應收貿易賬款及其他應收款項、已質押銀行結餘、未質押銀行存款、現金及銀行結餘、其他金融資產、應付貿易賬款及其他應付款項、銀行及其他借款、短期債券、中期票據、公司債券及其他金融負債。該等金融工具的詳情於各項附註中披露。

該等金融工具涉及的風險包括市場風險(貨幣風險、利息風險及其他價格風險)、信貸風險及流動資金風險。下文載有如何降低有關風險的政策。管理層會監管有關風險，確保及時有效地採取相應措施。

市場風險*(i) 外幣風險*

本集團的所產牛奶銷售額和所產生的大部分支出及資本開支均以人民幣收支。

於二零一七年十二月三十一日，以外幣計值的主要資產為附註24所披露的現金及銀行結餘。以外幣計值的主要負債為附註26所披露的銀行借款。

本集團通過定期審查外匯風險淨額，並可能訂立貨幣遠期合約(如需要)，以管理其外匯風險。



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36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity analysis
2% (2016: 2%) is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against US\$ and EUR. The sensitivity analysis below includes US\$ and EUR denominated monetary items that are not associated to a foreign currency forward contract. At the end of each reporting period, if the exchange rate had been weakened in RMB against US\$ or EUR by 2% and all other variables were held constant, the Group's post-tax loss for each reporting period would decrease/increase as follow:

		Decrease (increase) in post-tax loss 除稅後虧損 減少(增加) 2017 二零一七年 RMB'000 人民幣千元	Decrease (increase) in post-tax loss 除稅後虧損 減少(增加) 2016 二零一六年 RMB'000 人民幣千元
US\$ denominated assets and liabilities against RMB	美元計值資產及負債兌人民幣		
– cash and bank balances	– 現金及銀行結餘	3,387	964
– bank borrowings	– 銀行借款	(22,847)	–
EUR denominated assets and liabilities against RMB	歐元計值資產及負債兌人民幣		
– cash and bank balances	– 現金及銀行結餘	28	20
– bank borrowings	– 銀行借款	(2,029)	–
Total	總計	(21,461)	984

For a 2% strengthening of the RMB against US\$ or EUR, there would be an equal and opposite impact on the post-tax loss.

36. 金融工具(續)

金融風險管理的目標及政策(續)

市場風險(續)

(i) 外幣風險(續)

外幣敏感度分析
2%(二零一六年:2%)的敏感率代表管理層對外匯匯率合理可能變動的評估。

本集團主要面臨來自人民幣兌美元及歐元匯率波動的外幣風險。以下敏感度分析僅包括與外幣遠期合約無關的以美元及歐元計值的貨幣項目。於各報告期末，倘人民幣兌美元或歐元貶值2%，而所有其他可變因素維持不變，則本集團於各報告期間的除稅後虧損將有如下減少／增加：

倘人民幣兌美元或歐元升值2%，則將對除稅後虧損產生同等相反的影響。



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36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) 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, non-pledged bank deposits 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 other borrowings, short-term debentures, medium-term notes and corporate bonds.

The Group manages its interest rate risk by performing regular reviews of the Group's net interest rate exposures and may enter into interest rate swap contracts, when necessary, to manage its interest rate exposure. During current year, four interest rate swap contracts had been entered by the Group to mitigate its cash flow interest rate risk (2016: one).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to 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 that are not associated to an interest rate swap contract. Bank balances, pledged bank balances and non-pledged bank deposits 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 (2016: 50) basis points increase or decrease 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 (2016: 50) basis points and all other variables were held constant, the Group's loss for the current year would have increased/decreased by RMB5,877,000 (2016: RMB7,459,000).

36. 金融工具(續)

金融風險管理的目標及政策(續)

市場風險(續)

(ii) 利率風險

本集團因銀行結餘、已質押銀行結餘、未質押銀行存款及按浮動利率計息銀行借款的現行市場利率波動而承受現金流量利率風險。

本集團的公平值利率風險主要涉及定息銀行借款及其他借款、短期債券、中期票據及公司債券。

本集團通過定期審查利率風險淨額，並可能訂立貨幣遠期合約(如需要)，以管理其利率風險。年內，本集團已訂立四份利率掉期合約以減輕其現金流量利率風險(二零一六年：一份)。

利率敏感度分析

以下敏感度分析乃根據非衍生工具於報告期末的利率風險釐定。以下敏感度分析乃根據與利率掉期合約無關的浮息銀行借款的利率風險釐定。由於銀行結餘、已質押銀行結餘及未質押銀行存款對利率波動並不敏感，故不在敏感度分析的考慮範圍內。該分析乃根據假設浮息銀行借款於整個年度未償還而編製。50個基點(二零一六年：50個基點)的上下波幅代表管理層對合理可能發生的利率波動的評估。

於報告期末，倘利率增加/減少50個基點(二零一六年：50個基點)，而所有其他可變因素維持不變，則本集團於本年度的虧損將增加/減少人民幣5,877,000元(二零一六年：人民幣7,459,000元)。



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36. FINANCIAL INSTRUMENTS (continued) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

As at 31 December 2017 and 2016, the Group is mainly exposed to equity price risk through its AFS equity investment measured at cost less impairment where the Group is not able to establish reliable fair value estimates.

As at 31 December 2016, the Group is also exposed to stock price risk mainly through the Modified Considerations included in other financial liabilities as disclosed in note 20.

Other price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to stock price risk at the end of the reporting period.

If stock price of the Company had been 5% higher/lower and all other variables were held constant, post-tax loss for the year ended 31 December 2016 would have increased/decreased by RMB41,690,000.

Credit risk

As at 31 December 2017, 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.

36. 金融工具(續) 金融風險管理的目標及政策(續)

市場風險(續)

(iii) 其他價格風險

於二零一七年及二零一六年十二月三十一日，本集團因其按成本減減值計量的可供出售股權投資而主要面臨股權價格風險，在此情況下本集團無法作出可靠公平值估計。

於二零一六年十二月三十一日，本集團亦面臨主要來自附註20所披露的計入其他金融負債的經調整代價的股價風險。

其他價格敏感度分析

以下敏感度分析乃根據於報告期末所面臨的股價風險而釐定。

倘本公司股價上升/下跌5%，而所有其他可變因素維持不變，則截至二零一六年十二月三十一日止年度的除稅後虧損將增加/減少人民幣41,690,000元。

信貸風險

於二零一七年十二月三十一日，本集團面臨因對手方未能履行義務而給本集團造成經濟損失的最大信貸風險來自綜合財務狀況表所列的各項已確認金融資產的賬面值。

為盡量降低信貸風險，本集團的管理層已委派一個團隊負責釐定信貸限額、審批信貸及其他監察程序，以確保能夠跟進追討逾期債務的事宜。綜合財務狀況表內所列金額已扣除呆賬撥備(如有)，呆賬撥備乃由本集團的管理層根據以往經驗及當前經濟環境釐定。本集團於各報告期末檢討每筆債務的可收回金額，以確保對不可收回金額計提足夠的減值虧損。就此，董事認為，本集團的信貸風險已顯著降低。

由於對手方是中國的認可銀行，故本集團流動資金的信貸風險極為有限。



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36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has concentration of credit risk as approximately 25% of total trade receivables as at 31 December 2017 (31 December 2016: 7%) were receivables due from the Mengniu Group, the Group's largest customer and a related party of the Company.

Liquidity risk

The Group had net current liabilities of RMB3,181,917,000 as at 31 December 2017 (31 December 2016: RMB4,272,464,000). The Directors closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the borrowing facilities, when necessary, to ensure the Group has sufficient funds to enable the Group to meet its financial obligations. In addition, the available credit facilities of the Group amounted to approximately RMB6,306,479,000 which remains unutilised as at 31 December 2017. 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, 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 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.

36. 金融工具(續)

金融風險管理的目標及政策(續)

信貸風險(續)

本集團存在信貸風險集中的情況，原因為於二零一七年十二月三十一日的應收貿易賬款總額中約25%(二零一六年十二月三十一日：7%)為應收本集團最大客戶兼本公司關連方蒙牛集團的款項。

流動資金風險

本集團於二零一七年十二月三十一日的流動負債淨額為人民幣3,181,917,000元(二零一六年十二月三十一日：人民幣4,272,464,000元)。董事密切監控本集團的現金流量狀況，並於到期時將會安排對銀行貸款進行續期及再融資(如需要)，以確保本集團擁有充足的備用資金使本集團能夠應付其財務責任。此外，本集團的可供動用信貸融資約為人民幣6,306,479,000元，於二零一七年十二月三十一日仍未動用。鑒於上文所述，董事認為，本集團的流動資金風險大幅減低。

本集團結合借款及股權為其營運提供資金。為確保於有需要時可取得必需的資金，已備有充裕的信貸額。董事會定期監察本集團的流動資金水平，以確保可取得足夠的流動資金履行所有責任。經參考現有未動用融資，董事認為，日常經營所需的流動資金及資金來源充足。

下表詳列本集團餘下非衍生金融負債的合約到期情況。該表根據本集團可能被要求支付的最早日期的金融負債未貼現現金流量而編製。



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36. FINANCIAL INSTRUMENTS (continued)**Financial risk management objectives and policies**

(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.

In addition, the following table details the Group's liquidity analysis for its derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative financial liabilities that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial liabilities are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

36. 金融工具(續)**金融風險管理的目標及政策(續)****流動資金風險(續)**

表中金額包括利息及本金現金流量。倘利息流量為浮息利率，則未貼現金額由報告期末利率得出。

此外，下表詳列本集團就其衍生金融負債流動資金分析。該表的編製基準是按淨額基準結算衍生金融負債的未貼現金約現金流量(流入)及流出淨額。倘應償還金額並未確定，所披露金額乃參考於報告期末時現有孳息曲線列示的預測利率而釐定。本集團衍生金融負債流動資金分析乃根據合約到期情況編製，由於管理層認為合約到期情況對瞭解衍生工具現金流量的時間至關重要。

		Interest rates	Within 180 days	181 days to 365 days	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
		利率	180日內	181日至365日	1至2年	超過2年	未貼現現金	賬面值
		%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
As at 31 December 2017	於二零一七年十二月三十一日							
Non-derivative financial liabilities	非衍生金融負債							
Non-interest bearing	不計息	-	1,647,622	269,505	-	-	1,917,127	1,917,127
Fixed interest rate bank borrowings	定息銀行借款	0.90-4.79	536,450	610,318	46,495	212,544	1,405,807	1,351,465
Variable interest rate bank borrowings	浮息銀行借款	2.65-6.40	169,612	407,193	577,975	1,341,435	2,496,215	2,125,792
Medium-term notes	中期票據	4.60-6.00	1,218,935	-	628,500	-	1,847,435	1,798,380
Other borrowings	其他借款	4.00-4.77	600,868	522,638	-	-	1,123,506	1,103,799
Corporate bonds	公司債券	5.30-5.49	4,814	13,250	263,250	843,920	1,125,234	1,045,761
			4,178,301	1,822,904	1,516,220	2,397,899	9,915,324	9,342,324



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36. FINANCIAL INSTRUMENTS (continued)
Financial risk management objectives and policies

(continued)

Liquidity risk (continued)**36. 金融工具** (續)
金融風險管理的目標及政策 (續)**流動資金風險** (續)

	Interest rates	Within 180 days	181 days to 365 days	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	利率 %	180日內 RMB'000 人民幣千元	181日至365日 RMB'000 人民幣千元	1至2年 RMB'000 人民幣千元	超過2年 RMB'000 人民幣千元	未貼現現金流量總額 RMB'000 人民幣千元	賬面值 RMB'000 人民幣千元
As at 31 December 2016							
Non-derivative financial liabilities							
Non-interest bearing	-	2,488,621	145,022	-	-	2,633,643	2,633,643
Modified considerations (note)		93,124	-	-	-	93,124	93,124
Fixed interest rate bank borrowings	3.60-4.75	882,830	1,368,157	1,568	26,593	2,279,148	2,199,859
Variable interest rate bank borrowings	1.90-6.40	650,562	542,680	170,178	508,214	1,871,634	1,685,966
Short-term debentures	4.67-5.00	811,164	-	-	-	811,164	799,425
Medium-term notes	4.60-6.00	18,052	-	1,286,500	628,500	1,933,052	1,796,605
Other borrowing	4.77	20,708	22,650	40,888	-	84,246	75,489
Corporate bonds	5.30	-	12,887	13,250	263,250	289,387	249,020
		4,965,061	2,091,396	1,512,384	1,426,557	9,995,398	9,533,131
Derivatives-net settlement							
The Swap I (outflow)		126	-	-	-	126	126
		126	-	-	-	126	126

Note:

The Group's financial liabilities from the Modified Considerations are measured at FVTPL as set out in note 20. The liquidity analysis above only includes the cash consideration payable as at 31 December 2016 as the supplemental consideration shares as at 31 December 2016 can be settled in shares by the Company.

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.

附註：

本集團來自經修訂代價的金融負債如附註20所載按公平值計入損益計量。由於二零一六年十二月三十一日的補充代價股份可由本公司以股份結算，上述流動資金分析僅包括於二零一六年十二月三十一日應付的現金代價。

倘浮動利率的變化與報告期末釐定的利率估計有差異，則上述浮息借款包括的金額會有所不同。



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37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

37. 融資活動所產生負債的對賬

下表詳述本集團融資活動所產生負債的變動，包括現金及非現金變動。融資活動所產生的負債為現金流量已經或未來現金流量將於本集團綜合現金流量表中分類為融資活動所產生的現金流量的該等負債。

		1 January 2017 二零一七年一月一日			31 December 2017 二零一七年十二月三十一日						
		Principal	Interest	Total	Financing cash flows	Fair value adjustments	Foreign exchange translation	Interest accruals	Principal	Interest	Total
		本金	利息	總計	現金流量	公平值調整	外匯換算	應計利息	本金	利息	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
					(note)						
					(附註)						
The Swap I (note 20)	掉期一(附註20)	126	-	126	(77)	(49)	-	-	-	-	-
Bank borrowings (note 26)	銀行借款(附註26)	3,885,825	21,034	3,906,859	(574,522)	-	(13,580)	162,453	3,477,257	3,953	3,481,210
Short-term debentures (note 27)	短期債券(附註27)	799,425	2,520	801,945	(830,441)	-	-	28,496	-	-	-
Medium-term notes (note 28)	中期票據(附註28)	1,796,605	70,301	1,866,906	(93,686)	-	-	93,675	1,798,380	68,515	1,866,895
Corporate bond (note 29)	公司債券(附註29)	249,020	5,025	254,045	783,314	-	-	47,508	1,045,761	39,106	1,084,867
Other borrowings (note 30)	其他借款(附註30)	75,489	3,129	78,618	1,001,909	-	-	25,588	1,103,799	2,316	1,106,115
		6,806,490	102,009	6,908,499	286,497	(49)	(13,580)	357,720	7,425,197	113,890	7,539,087

Note: The cash flows from the Swap I, bank borrowings, short-term debentures, medium-term notes, other borrowings and corporate bonds make up the net amount of proceeds from borrowings, repayments of borrowings and interest paid in the consolidated statement of cash flows.

附註：掉期一、銀行借款、短期債券、中期票據、其他借款及公司債券的綜合現金流量構成現金流量表中的借款所得款項、借款還款及已付利息的淨額。



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38. FAIR VALUE MEASUREMENTS**Fair value of the Group's biological assets, other financial assets and other financial liabilities that are measured at fair value or fair value less cost to sell on a recurring basis**

Some of the Group's assets and liabilities are measured at fair value or fair value less costs to sell for financial reporting purposes. The Directors have 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 and Level 2 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 team's findings to the Directors semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

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 categorised (levels 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.

38. 公平值計量**按經常性基準以公平值或公平值減銷售成本計量的本集團生物資產、其他金融資產及其他金融負債的公平值**

就財務呈報而言，本集團部分資產及負債按公平值或公平值減銷售成本計量。董事已成立以本公司首席財務官為首的估值團隊，以就公平值計量釐定合適的估值方法及輸入數據。

估計資產或負債的公平值時，本集團使用可用市場可觀察數據。倘第一級及第二級的輸入數據不可用，本集團會委聘第三方合資格估值師進行估值。估值團隊與合資格外聘估值師緊密合作，為模型確立合適的估值方法及輸入數據。首席財務官每半年向董事呈報估值團隊的發現以闡釋資產及負債公平值波動的原因。

本集團的生物資產、其他金融資產及其他金融負債於各報告期末按公平值計量。下表提供有關根據公平值計量的輸入數據的可觀察程度如何釐定該等資產及負債的公平值（特別是所使用的估值方法及輸入數據），及公平值計量所劃分的公平值級別水平（第二及三級）的資料。



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38. FAIR VALUE MEASUREMENTS (continued)
Fair value hierarchy**38. 公平值計量**(續)
公平值級別

Assets/(liabilities)		Fair value as at 31 December 2017 於二零一七年 十二月三十一日 的公平值 RMB'000 人民幣千元	Fair value as at 31 December 2016 於二零一六年 十二月三十一日 的公平值 RMB'000 人民幣千元	Fair value hierarchy
資產/(負債)				公平值級別
Biological assets	生物資產	7,751,070	7,602,959	level 3 第三級
Modified Considerations (note)	經修訂代價(附註)	N/A 不適用	(926,932)	level 2 第二級
Other financial liability – the Swap I	其他金融負債 – 掉期一	N/A 不適用	(126)	level 2 第二級
Other financial assets – the Forward	其他金融資產 – 遠期	N/A 不適用	11,236	level 2 第二級
– the Swap II	– 掉期二	31,704	N/A 不適用	level 2 第二級

Note: The Modified Considerations was measured at FVTPL as at 31 December 2016 and the fair value was measured using discounted cash flow method based on observable share price of the Company discounted at the rate reflecting the credit risks of issuer and hence was classified as Level 2 of the fair value hierarchy.

附註：於二零一六年十二月三十一日，經修訂代價乃按公平值計入損益計量，而公平值乃根據本公司按體現發行人信貸風險的利率貼現的可觀察股價使用貼現現金流量法計量，因此被分類為公平值級別的第二級。



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38. FAIR VALUE MEASUREMENTS (continued)**Valuation techniques used in fair value measurements**

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used in the valuation models:

38. 公平值計量 (續)
公平值計量使用的估值方法

下表列示計量第二級及第三級公平值時所用的估值方法，以及估值模型所用的重大不可觀察輸入數據：

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值計量之間的相互關係
Modified Considerations 經修訂代價	Discounted cash flow Future cash flow are estimated based on the observable market price of the Company's ordinary shares at the end of reporting period discounted at a rate that reflects the credit risk of issuer. 貼現現金流量 未來現金流量乃根據本公司普通股於報告期末的可觀察市價估計，按反映多名發行人的信貸風險的利率貼現。	N/A 不適用	N/A 不適用
The Forward 遠期	Discounted cash flow Future cash flow are estimated based on forward exchange rates (from observable interest rate at the end of reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties. 貼現現金流量 未來現金流量乃根據遠期匯率(來自報告期末的可觀察利率)及合約遠期匯率估計，按反映多名對手方的信貸風險的利率貼現。	N/A 不適用	N/A 不適用



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38. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements (continued)

38. 公平值計量(續)

公平值計量使用的估值方法(續)

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值計量之間的相互關係
The Swap I and the Swap II 掉期一及掉期二	Discounted cash flow Future cash flow are estimated based on forward interest rates (from observable interest rate at the end of reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties. 貼現現金流量 未來現金流量乃根據遠期利率(來自報告期末的可觀察利率)及合約利率估計,按反映多名對手方的信貸風險的利率貼現。	N/A 不適用	N/A 不適用
Heifers and calves 小母牛及小牛	The fair value of 14 months old heifers is determined by reference to the local market selling price. 14個月的小母牛公平值乃參考當地市場售價釐定。	Average local market selling prices of the heifers of 14 months old were estimated at RMB23,700 per head at 31 December 2017 (2016: RMB23,700). 於二零一七年十二月三十一日,14個月的小母牛的平均當地市場售價估計為每頭人民幣23,700元(二零一六年:人民幣23,700元)。	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. 所用估計當地市場售價增加將導致小母牛及小牛公平值計量百分比微增,反之亦然。



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38. FAIR VALUE MEASUREMENTS (continued)**Valuation techniques used in fair value measurements** (continued)**38. 公平值計量** (續)**公平值計量使用的估值方法** (續)

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值計量之間的相互關係
	<p>The fair values of heifers and calves at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of each reporting period to 14 months plus the margins that would normally be required by a raiser. Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of each reporting period plus the margins that would normally be required by a raiser.</p> <p>在小於14個月的年歲組別的小母牛及小牛的公平值乃經減去將牛隻由其各自於各報告期末的歲數培育至14個月所須的估計飼養成本，加培育商一般所須利潤而釐定。相反地，在大於14個月的年歲組別的小母牛的公平值乃經加上將小母牛由14個月培育至其各自於各報告期末的歲數所須的估計飼養成本，加培育商一般所須利潤而釐定。</p>	<p>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 RMB15,171 at 31 December 2017 (2016: RMB16,151); average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB16,025 at 31 December 2017 (2016: RMB15,799).</p> <p>於二零一七年十二月三十一日，就小於14個月的小母牛及小牛而言，每頭牛估計平均飼養成本加培育商一般所須利潤為人民幣15,171元(二零一六年：人民幣16,151元)；於二零一七年十二月三十一日，就大於14個月的小母牛而言，每頭牛平均估計飼養成本加培育商一般所須利潤為人民幣16,025元(二零一六年：人民幣15,799元)。</p>	<p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in a much smaller percentage increase/decrease in the fair value measurement of the heifers and calves older/younger than 14 months old, and vice versa.</p> <p>所用估計飼養成本加培育商一般所須利潤增加將導致大於/小於14個月的小母牛及小牛公平值計量百分比輕微增加/減少，反之亦然。</p>
Milkable cows 奶牛	<p>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.</p> <p>奶牛公平值透過使用多期超額收益法(基於將由有關奶牛產生的貼現未來現金流量)釐定。</p>	<p>The estimated feed costs per kg of raw milk used in the valuation process are RMB1.90 for the year ended 31 December 2017 (2016: RMB1.98), based on the historical average feed costs per kg of raw milk after taking into consideration of inflation.</p> <p>截至二零一七年十二月三十一日止年度，估值過程中使用的每公斤原奶估計飼養成本為人民幣1.90元(二零一六年：人民幣1.98元)，乃基於每公斤原奶的歷史平均飼養成本並計及通貨膨脹釐定。</p>	<p>An increase in the estimated feed costs per kg of raw milk used would result in a smaller percentage decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>所用的每公斤原奶估計飼養成本增加可導致奶牛公平值計量的較小比例下降，反之亦然。</p>



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38. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements (continued)

38. 公平值計量(續)

公平值計量使用的估值方法(續)

Type 類型	Valuation technique 估值方法	Significant unobservable inputs 重大不可觀察輸入數據	Inter-relationship between significant unobservable inputs and fair value measurements 重大不可觀察輸入數據與公平值計量之間的相互關係
		<p>A milkable cow could have as many as six lactation cycles or above. Estimated average daily milk yield at each lactation cycle is ranged from 26.3 kg to 28.3 kg for the year ended 31 December 2017 (2016: 24.5 kg to 26.5 kg), depending on the number of the lactation cycles and the individual physical condition.</p> <p>奶牛有六個哺乳期或以上。截至二零一七年十二月三十一日止年度，各哺乳期的估計平均每日產奶量介乎26.3公斤至28.3公斤(二零一六年：24.5公斤至26.5公斤)，視哺乳期數目以及個別身體狀況而定。</p>	<p>An increase in the estimated daily milk yield per head used would result in a smaller percentage increase in the fair value measurement of the milkable cows, and vice versa.</p> <p>所用的估計每頭牛每日產奶量增加可導致奶牛公平值計量的較小比例提高，反之亦然。</p>
		<p>Estimated local future market price for raw milk is RMB3.83 per kg at 31 December 2017 (2016: RMB4.03 per kg).</p> <p>於二零一七年十二月三十一日，估計當地未來原奶市價為每公斤人民幣3.83元(二零一六年：每公斤人民幣4.03元)。</p>	<p>An increase in the estimated average selling price of raw milk used would result in a much higher percentage increase in the fair value measurement of the milkable cows, and vice versa.</p> <p>所用的原奶估計平均售價增加可導致奶牛公平值計量的極大比例增加，反之亦然。</p>
		<p>Discount rate for estimated future cash flow used is 12.70% at 31 December 2017 (2016: 13.00%).</p> <p>於二零一七年十二月三十一日，所用估計未來現金流量的貼現率為12.70%(二零一六年：13.00%)。</p>	<p>An increase in the estimated discount rate used would result in a slightly smaller percentage decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>所用的估計貼現率增加可導致奶牛公平值計量的較小比例下降，反之亦然。</p>



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38. FAIR VALUE MEASUREMENTS (continued)**Reconciliation of Level 3 fair value measurements**

The reconciliations from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in note 21.

38. 公平值計量(續)**第三級公平值計量的對賬**

生物資產公平值計量由期初結餘至期末結餘的對賬披露於附註21。

		Original contingent consideration/ Modified Considerations 原或然代價/ 經修訂代價 RMB'000 人民幣千元
31 December 2016	二零一六年十二月三十一日	
At 1 January 2016	於二零一六年一月一日	(1,155,472)
Fair value gain credited to profit or loss	進賬至損益的公平值收益	228,540
Transfers out of level 3	轉出第三級	926,932
At 31 December 2016	於二零一六年十二月三十一日	-

The above fair value gains on the original contingent consideration/Modified Considerations are included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income. The Modified Considerations are considered Level 2 fair value since its fair value is based on observable inputs.

上述有關原或然代價/經修訂代價的公平值收益於綜合損益及其他全面收益表內呈列為其他收益及虧損。經修訂代價被視為公平值級別的第二級，因為其公平值乃基於可觀察輸入數據。

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with general accepted pricing model based on discounted cash flow analysis.

並非按經常基準以公平值計量的金融資產及金融負債的公平值(惟須披露公平值)

董事認為綜合財務報表內按攤銷成本計量的金融資產及金融負債的賬面值與其公平值相若。有關公平值乃根據普遍接受的定價模式並基於貼現現金流分析釐定。



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39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and are offset on the Group's consolidated statement of financial position.

The Group currently has a legally enforceable right to set off and the Group intends to settle these balances on a net basis.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The Group did not have any financial assets and financial liabilities that were subject to enforceable master netting arrangement or similar agreements at 31 December 2017.

As at 31 December 2016

39. 受抵銷、可執行總淨額結算安排及類似協議所限的金融資產及金融負債

下表所載披露包括受可執行總淨額結算安排或類似協議(涵蓋類似金融工具)所限且於本集團綜合財務狀況表抵銷的金融資產及金融負債。

本集團目前擁有抵銷的合法可執行權利且本集團擬按淨額基準結算該等結餘。

受抵銷、可執行總淨額結算安排及類似協議所限的金融資產

於二零一七年十二月三十一日，本集團並無任何受可執行總淨額結算安排或類似協議所限的金融資產及金融負債。

於二零一六年十二月三十一日

		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the consolidated statement of financial position
		於綜合財務狀況表	已確認金融資產總額	於綜合財務狀況表呈列的金融資產淨值
		抵銷的已確認金融負債總額	RMB'000	RMB'000
		於綜合財務狀況表	人民幣千元	人民幣千元
Trade receivables due from certain customers	應收若干客戶的貿易賬款		1,136,154	974,942
				(161,212)



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39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (continued)**Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements**

As at 31 December 2016

39. 受抵銷、可執行總淨額結算安排及類似協議所限的金融資產及金融負債 (續)

受抵銷、可執行總淨額結算安排及類似協議所限的金融負債

於二零一六年十二月三十一日

		Gross amounts of financial assets set off in the consolidated statement of financial position	Gross amounts of financial liabilities recognised	Net amounts of financial liabilities presented in the consolidated statement of financial position
		於綜合財務狀況表 抵銷的已確認 金融資產總額	於綜合財務狀況表 呈列的 金融負債總額	於綜合財務狀況表 呈列的 金融負債淨額
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Other payables due to certain customers	應付若干客戶的其他應付款項	(161,212)	161,212	-

Other than the balances which have been set off as disclosed above, there were no related amounts in the form of financial instruments or cash collateral which were not set off in the consolidated statement of financial position.

除上文所披露已抵銷結餘外，概無任何金融工具或現金抵押形式的有關金額未於綜合財務狀況表中抵銷。



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40. OPERATING LEASE COMMITMENTS**The Group as lessee**

Minimum lease payments under operating leases recognised during the year is RMB22,390,000 (2016: RMB23,020,000).

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

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Within one year	一年以內	9,485	11,078
In the second to fifth year inclusive	第二年至第五年 (包括首尾兩年)	2,225	9,666
Over five years	超過五年	183	-
		11,893	20,744

Operating lease payments represent rentals payable by the Group for property, plant and equipment and leased land which are negotiated for terms ranging from one to eight years and the rentals are fixed.

40. 經營租賃承擔**本集團(作為承租人)**

年內根據經營租賃確認的最低租賃付款為人民幣22,390,000元(二零一六年: 人民幣23,020,000元)。

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

經營租賃付款指本集團就物業、廠房及設備以及租賃土地應付的租金, 而租約的期限商定為一至八年, 租金則固定。

41. CAPITAL COMMITMENTS**41. 資本承擔**

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	已訂約但未計提撥備的資本開支: 就收購物業、 廠房及設備	41,857	134,302



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42. RELATED PARTY TRANSACTIONS

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

Mengniu A shareholder who directly and indirectly held 60.76% of the Company's issued share capital

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

Amounts due from

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Trade receivable – raw milk	應收貿易賬款－原奶		
Within 30 days based on invoice date	按發票日計30天以內	182,063	98,335
Trade receivable – liquid milk	應收貿易賬款－液態奶		
Within 30 days based on invoice date	按發票日計30天以內	39,335	-

- c. During the current year, the Group had the following transactions with related parties:

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Sales of raw milk	銷售原料奶	3,304,833	2,349,781
Sales of liquid milk	銷售液態奶	239,307	-
		3,544,140	2,349,781

The sales prices were based on mutually agreed terms.

銷售價格是基於共同協定條款。

42. 關連方交易

- a. 以下為關連方名稱及與關連方的關係：

蒙牛 直接及間接持有本公司已發行股本60.76%的股東

- b. 於報告期末，本集團與關連方有下列結餘：

應收以下人士款項

- c. 於本年度，本集團與關連方訂立以下交易：



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42. RELATED PARTY TRANSACTIONS (continued)**d. Other Borrowings**

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

	As at 1 January 2017 於二零一七年 一月一日 RMB'000 人民幣千元	New borrowings during the year 年內新借款 RMB'000 人民幣千元	Payments during the year 年內付款 RMB'000 人民幣千元	As at 31 December 2017 於二零一七年 十二月三十日 RMB'000 人民幣千元
Other borrowings from Mengniu Group	-	1,105,400	(40,000)	1,065,400
蒙牛集團其他借款	-	1,105,400	(40,000)	1,065,400

In May 2017, the Group entered into two entrusted loan agreements with Mengniu Group and Agricultural Bank of China ("ABC"), pursuant to which, Mengniu Group agreed to offer borrowing facilities of RMB1,500,000,000 to the Group through ABC. The borrowing facilities will mature in May 2020 and bear interest at fixed rates determined with reference to the benchmark interest rate of People's Bank of China. During the current year, the Group drew down borrowings of RMB1,105,400,000 and repaid RMB40,000,000 under the agreements. The outstanding borrowings at 31 December 2017 will mature within one year and bear interest at rates ranged from 4.00% to 4.35% per annum.

e. Compensation of key management personnel

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

42. 關連方交易(續)**d. 其他借款**

於本年度，本集團與關連方訂立以下交易：

於二零一七年五月，本集團與蒙牛集團及中國農業銀行(「中國農業銀行」)訂立兩份委託貸款協議，據此，蒙牛集團同意透過中國農業銀行向本集團提供借款融資人民幣1,500,000,000元。該等借款融資將於二零二零年五月到期，按參考中國人民銀行的基準利率釐定的固定利率計息。於本年度，本集團根據該等協議已提取借款人民幣1,105,400,000元及償還人民幣40,000,000元。於二零一七年十二月三十一日尚未償還的借款將於一年內到期，並按介乎4.00%至4.35%的年利率計息。

e. 主要管理人員的薪酬

以下是主要管理人員於報告期間的酬金：

	2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Salaries and other benefits	10,373	7,388
Recognition of equity-settled share option and share award payments	30,614	19,482
Retirement benefits scheme contributions	198	163
	41,185	27,033



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43. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

43. 附屬公司

於二零一七年及二零一六年十二月三十一日，本公司的主要附屬公司詳情如下：

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司於下列日期應佔股權				Principal activities 主要業務
			2017 二零一七年		2016 二零一六年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Advanced Dairy Company (Luxemburg) Limited ("Lux") 盧森堡	Luxemburg	US\$138,500,000 138,500,000美元	100.00	-	100	-	Investment holding 投資控股
Aquitair	Republic of Ireland 愛爾蘭共和國	US\$472,307,046 472,307,046美元	-	100.00	-	100.00	Investment holding 投資控股
Modern Farming (notes i and 34(b)) 現代牧業(附註i及附註34(b))	PRC 中國	RMB563,301,046 人民幣563,301,046元	-	98.18	-	97.87	Production of milk 生產牛奶
Asia Dairy Holdings	Cayman Islands 開曼群島	US\$20 20美元	100.00	-	100.00	-	Investment holding 投資控股
Asia Dairy Holdings II	Cayman Islands 開曼群島	US\$20 20美元	100.00	-	100.00	-	Investment holding 投資控股
Asia Dairy Trading and Holdings Ltd.	Hong Kong 香港	HK\$5 5港元	-	100.00	-	100.00	Investment holding 投資控股
Asia Dairy Trading and Holdings II Ltd.	Hong Kong 香港	HK\$4 4港元	-	100.00	-	100.00	Investment holding 投資控股
Strong Alliance Investment Holdings Ltd. (note iii) Strong Alliance Investment Holdings Ltd. (附註iii)	Cayman Islands 開曼群島	US\$100,000 100,000美元	100.00	-	N/A 不適用	N/A 不適用	Investment holding 投資控股
Well Alliance Investment Holdings Ltd. (note iii) Well Alliance Investment Holdings Ltd. (附註iii)	Hong Kong 香港	HK\$10,000 10,000港元	-	100.00	N/A 不適用	N/A 不適用	Investment holding 投資控股
Maanshan Modern Farming Dairy Product Sales Co., Ltd (notes i and iii) 馬鞍山現代牧業乳品銷售有限公司(附註i及iii)	PRC 中國	RMB20,350,000 人民幣20,350,000元	-	100.00	N/A 不適用	N/A 不適用	Sales of milk 銷售牛奶



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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司於下列日期應佔股權				Principal activities 主要業務
			2017 二零一七年		2016 二零一六年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Shanghe (notes ii) 商河(附註ii)	PRC 中國	RMB425,000,000 人民幣425,000,000元	-	98.18	-	100	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Helinger) Co., Ltd. (note ii) 和林格爾現代牧業有限公司(附註ii)	PRC 中國	RMB93,670,447 人民幣93,670,447元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Saibei) Co., Ltd. (note ii) 現代牧業(塞北)有限公司(附註ii)	PRC 中國	RMB30,000,000 人民幣30,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Zhangjiakou) Co., Ltd (notes ii and iv) 現代牧業(張家口)有限公司(附註ii及iv)	PRC 中國	RMB160,000,000 人民幣160,000,000元	-	98.18	N/A 不適用	N/A 不適用	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Wenshang) Co., Ltd. (note ii) 汶上現代牧場有限公司(Wenshang Modern Farming Co., Ltd.)(附註ii)	PRC 中國	RMB55,000,000 人民幣55,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Shangzhi) Co., Ltd. (note ii) 尚志現代牧場有限公司(Shangzhi Modern Farming Co., Ltd.)(附註ii)	PRC 中國	RMB55,000,000 人民幣55,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Hongya Modern Farming Co., Ltd (note ii) 洪雅現代牧場有限公司(Hongya Modern Farming Co., Ltd.)(附註ii)	PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming Group (Anhui) Sijibao Organic Fertiliser Co., Ltd (notes ii and v) 現代牧業集團(安徽)四季寶有機肥有限公司(附註ii及v)	PRC 中國	RMB10,000,000 人民幣10,000,000元	N/A 不適用	N/A 不適用	-	97.87	Production of fertilisers 生產肥料
Modern Farming (Chabei) Co., Ltd (note ii) 現代牧業(察北)有限公司(附註ii)	PRC 中國	RMB8,000,000 人民幣8,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶



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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司於下列日期應佔股權				Principal activities 主要業務
			2017 二零一七年		2016 二零一六年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Modern Farming (Baoji) Co., Ltd (note ii) 現代牧業(寶雞)有限公司(附註ii)	PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Maanshan Modern Farming Feedstock Co., Ltd. (notes ii and v) 馬鞍山現代牧業飼草有限公司(附註ii及v)	PRC 中國	RMB18,000,000 人民幣18,000,000元	N/A 不適用	N/A 不適用	-	97.87	Sales of feeds 銷售飼料
Modern Farming (Feidong) Co., Ltd. ("Feidong") (note ii) 現代牧業(肥東)有限公司(「肥東」)(附註ii)	PRC 中國	RMB50,000,000 人民幣50,000,000元	-	98.18	-	97.87	Sales and production of milk 銷售及生產牛奶
Tongshan Farm (note ii) 遼山牧業(附註ii)	PRC 中國	RMB30,000,000 人民幣30,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Tongliao) Co., Ltd (note ii) 現代牧業(通遼)有限公司(附註ii)	PRC 中國	RMB30,000,000 人民幣30,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Chabei) Hengsheng Co., Ltd (note ii) 現代牧業(察北)恆盛有限公司(附註ii)	PRC 中國	RMB5,000,000 人民幣5,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Bengbu) Co., Ltd ("Bengbu") (note ii) 現代牧業(蚌埠)有限公司(「蚌埠」)(附註ii)	PRC 中國	RMB370,000,000 人民幣370,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Wuhe) Co., Ltd (notes ii and iv) 現代牧業(五河)有限公司(Modern Farming (Wuhe) Co., Ltd)(附註ii及iv)	PRC 中國	RMB20,000,000 人民幣20,000,000元	-	98.18	N/A 不適用	N/A 不適用	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming Anhui (note ii) 現代牧業安徽(附註ii)	PRC 中國	RMB45,000,000 人民幣45,000,000元	-	99.00	-	53.83	Sales of milk 銷售牛奶
Modern Farming (Shuangcheng) Co., Ltd. (note ii) 現代牧業(雙城)有限公司(附註ii)	PRC 中國	RMB20,000,000 人民幣20,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶



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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司於下列日期應佔股權				Principal activities 主要業務
			2017 二零一七年		2016 二零一六年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Modern Farming Shanghe Feeding Co., Ltd. (note ii) 現代牧業商河飼料有限公司(附註ii)	PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	97.87	Production of fodder 生產飼料
China Modern Dairy I Ltd.	Cayman Islands 開曼群島	US\$1.00 1.00美元	100.00	-	100.00	-	Investment holding 投資控股
China Modern Dairy II Ltd.	British Virgin Islands 英屬處女群島	US\$1.00 1.00美元	-	100.00	-	100.00	Investment holding 投資控股
China Leading Dairy Ltd. 中國領先乳品有限公司	Hong Kong 香港	HK\$1.00 1.00港元	-	100.00	-	100.00	Investment holding 投資控股
Modern Farming (Anhui) Dairy Co., Ltd. (notes i and v) 現代牧業(安徽)乳業有限公司(附註i及v)	PRC 中國	RMB20,000,000 人民幣20,000,000元	N/A 不適用	N/A 不適用	-	98.91	Sales of milk 銷售牛奶
Modern Farming (Bengbu) Dairy Product Sales Co., Ltd. (note ii) 現代牧業(蚌埠)乳品銷售有限公司(附註ii)	PRC 中國	RMB5,000,000 人民幣5,000,000元	-	99.00	-	53.83	Sales of milk 銷售牛奶
Modern Farming (Saipei) Dairy Product Sales Co., Ltd. (note ii) 現代牧業(塞北)乳品銷售有限公司(附註ii)	PRC 中國	RMB5,000,000 人民幣5,000,000元	-	99.00	-	53.83	Sales of milk 銷售牛奶
Modern Farming (Hefe) Co., Ltd. (note ii) 現代牧業(合肥)有限公司(附註ii)	PRC 中國	RMB50,000,000 人民幣50,000,000元	-	98.18	-	97.87	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Nanchang Modern Farming Co., Ltd. (note ii) 南昌現代牧業有限公司(附註ii)	PRC 中國	RMB5,000,000 人民幣5,000,000元	-	50.07	-	49.91	Sales of milk 銷售牛奶
Chengdu Modern Farming Dairy Products Sales Co., Ltd. (note ii) 成都現代牧業乳品銷售有限公司(附註ii)	PRC 中國	RMB1,000,000 人民幣1,000,000元	-	58.91	-	58.72	Sales of milk 銷售牛奶
Wuhan Modern Farming Dairy Products Sales Co., Ltd. (note ii) 武漢現代牧業乳品銷售有限公司(附註ii)	PRC 中國	RMB1,000,000 人民幣1,000,000元	-	68.73	-	68.51	Sales of milk 銷售牛奶



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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司於下列日期應佔股權				Principal activities 主要業務
			2017 二零一七年		2016 二零一六年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Modern Farming (Shenzhen) Sales Company (note ii) 現代牧業銷售(深圳)有限公司(附註ii)	PRC 中國	RMB1,000,000 人民幣1,000,000元	-	58.91	-	58.72	Sales of milk 銷售牛奶
Modern Farming (Jinan) Dairy Products Sales Co., Ltd. (note ii) 現代牧業(濟南)乳品銷售有限公司(附註ii)	PRC 中國	RMB1,000,000 人民幣1,000,000元	-	73.63	-	73.40	Sales of milk 銷售牛奶

Notes:

- The entity was established in the PRC and became a sino-foreign investment enterprise.
- These entities were established in the PRC as domestic companies and owned by Modern Farming.
- Strong Alliance Investment Holdings Co. Ltd., together with its subsidiaries, Well Alliance Investment Holdings Co. Ltd. and Maanshan Modern Farming Dairy Product Sales Co., Ltd., were acquired in January 2017 (note 34(a)).
- Modern Farming (Zhangjiakou) Co., Ltd was spined off from Modern Farming (Saibei) Co., Ltd. and established in September 2017. Modern Farming (Wuhe) Co., Ltd was spined off from Bengbu and established in July 2017.
- Modern Farming Group (Anhui) Sijibao Organic Fertiliser Co., Ltd was deregistered in June 2017. Maanshan Modern Farming Feedstock Co., Ltd. was deregistered in June 2017. Modern Farming (Anhui) Dairy Co., Ltd. was deregistered in May 2017.

附註：

- 該實體在中國成立，並起成為中外投資企業。
- 該等實體在中國成立，作為國內公司，由現代牧業擁有。
- Strong Alliance Investment Holdings Co. Ltd. 連同其附屬公司 Well Alliance Investment Holdings Co. Ltd. 及馬鞍山現代牧業乳品銷售有限公司於二零一七年一月被收購(附註34(a))。
- 現代牧業(張家口)有限公司於二零一七年九月從現代牧業(塞北)有限公司分拆並成立。現代牧業(五河)有限公司於二零一七年七月從蚌埠分拆並成立。
- 現代牧業集團(安徽)四季寶有機肥有限公司於二零一七年六月撤銷註冊。馬鞍山現代牧業飼草有限公司於二零一七年六月撤銷註冊。現代牧業(安徽)乳業有限公司於二零一七年五月撤銷註冊。



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44. 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 附屬公司名稱	Place of incorporation and principal place of business 註冊成立地點及主要營業地點	Proportion of ownership interests and voting rights held by non-controlling interests 非控股權益所持所有權權益及投票權比例		Profit (loss) allocated to non-controlling interests 分配至非控股權益的溢利(虧損)		Accumulated non-controlling interests 累計非控股權益	
		2017 二零一七年	2016 二零一六年	2017 二零一七年	2016 二零一六年	2017 二零一七年	2016 二零一六年
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Modern Farming 現代牧業	PRC	1.82%	2.13%	2,525	(43,392)	17,086	101,383

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

44. 擁有重大非控股權益的非全資附屬公司的詳情

下表載列擁有重大非控股權益的本集團非全資附屬公司的詳情：

有關擁有重大非控股權益的本集團附屬公司的財務資料概述如下。下文財務資料概要指集團公司間抵銷前的金額。

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Current assets	流動資產	2,607,386	3,491,176
Non-current assets	非流動資產	13,707,178	11,547,010
Current liabilities	流動負債	(6,088,535)	(6,689,971)
Non-current liabilities	非流動負債	(3,853,299)	(3,291,464)
Equity attributable to owners of the Company	本公司持有人應佔權益	6,355,644	4,955,368



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (continued)**44. 擁有重大非控股權益的非全資附屬公司的詳情(續)**

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
Revenue	收入	4,805,711	4,648,178
Expenses	開支	5,793,663	5,557,860
Loss attributable to owners of the Company	本公司持有人應佔虧損	(990,477)	(866,290)
Profit (loss) attributable to the non-controlling interests	非控股權益應佔溢利(虧損)	2,525	(43,392)
Net cash inflow from operating activities	經營活動現金流入淨額	462,234	1,029,533
Net cash outflow from investing activities	投資活動現金流出淨額	(832,770)	(884,338)
Net cash inflow from financing activities	融資活動現金流入淨額	200,060	237,513
Net cash (outflow) inflow	現金(流出)流入淨額	(170,476)	382,708



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

45. 本公司的財務狀況表及儲備

於報告期末有關本公司財務狀況的資料包括：

		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產		
Investments in subsidiaries	投資於附屬公司	6,057,053	5,392,675
Amounts due from a subsidiary	應收一間附屬公司款項	1,520,701	561,505
		7,577,754	5,954,180
CURRENT ASSETS	流動資產		
Other receivables	其他應收款項	906	1,894
Cash and bank balances	現金及銀行結餘	49,254	27,544
Other financial assets	其他金融資產	31,704	-
		81,864	29,438
CURRENT LIABILITIES	流動負債		
Other payables	其他應付款項	573	556
Amounts due to subsidiaries	應付附屬公司款項	16,618	13,952
Bank borrowings	銀行借款	1,077,029	-
Other financial liability	其他金融負債	-	926,932
		1,094,220	941,440
NET CURRENT LIABILITIES	流動負債淨額	(1,012,356)	(912,002)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債	6,565,398	5,042,178
CAPITAL AND RESERVES	資本及儲備		
Share capital	股本	526,058	452,959
Reserves	儲備	6,039,340	4,589,219
		6,565,398	5,042,178

LU Minfang
盧敏放
Director
董事

GAO Lina
高麗娜
Director
董事



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For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)
Movements in equity**45. 本公司的財務狀況表及儲備** (續)

權益變動

		Share capital	Share premium	Other reserve	Share options reserve	Share award reserve	Accumulated losses	Total
		股本	股份溢價	其他儲備	購股權儲備	獎勵儲備	累計虧損	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance at 1 January 2016	於二零一六年一月一日的結餘	452,959	3,292,068	1,382,199	75,078	-	(396,680)	4,805,624
Profit and total comprehensive Income for the year	年內溢利及全面收入總額	-	-	-	-	-	193,411	193,411
Transfer due to forfeiture of share options after vesting	因歸屬後沒收購股權而轉撥	-	-	-	(1,015)	-	1,015	-
Recognition of equity-settled share-based payment	確認按股權結算以股份支付的付款	-	-	-	43,143	-	-	43,143
Balance at 31 December 2016	於二零一六年十二月三十一日的結餘	452,959	3,292,068	1,382,199	117,206	-	(202,254)	5,042,178
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	(6,017)	(6,017)
Shares issued for settlement of Modified Considerations	為結算經修訂代價而發行的股份	43,157	807,037	-	-	-	-	850,194
Shares issued for acquisition of non-controlling interests	就收購非控股權益發行的股份	29,942	541,961	-	-	-	-	571,903
Recognition of equity-settled share-based payment transactions	確認按股權結算以股份支付的付款交易	-	-	-	92,623	14,517	-	107,140
Transfer due to cancellation of share options	因購股權註銷而轉撥	-	-	-	(204,543)	-	204,543	-
Balance at 31 December 2017	於二零一七年十二月三十一日的結餘	526,058	4,641,066	1,382,199	5,286	14,517	(3,728)	6,565,398



Notes to the Consolidated Financial Statements 綜合財務報表附註

For the year ended 31 December 2017 截至二零一七年十二月三十一日止年度

46. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant events after the reporting period:

On 21 December 2017, the Board passed a resolution to sell 50% equity interests in Feidong and Bengbu, which are engaged in the production of liquid milk products to Mengniu Group at mutually agreed prices. On 22 January 2018, Modern Farming and Inner Mongolia Mengniu Dairy (Group) Company Limited (the “Inner Mongolia Mengniu”) entered into two share transfer agreements, pursuant to which Modern Farming agreed to sell, and Inner Mongolia Mengniu agreed to acquire 50% equity of Feidong and Bengbu at an aggregate cash consideration of RMB56.04 million.

Given the share transfer agreements will not be effective until they are approved by the shareholders of the Company and Mengniu and its concerting parties is not permitted to vote in the shareholders meeting, the Directors are in the opinion that probability of the approval of the share transfer agreements remained uncertain at 31 December 2017 and therefore the definition of disposal group held for sale pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations was not met at 31 December 2017.

The share transfer agreements were approved by the shareholders of the Company at the extraordinary general meeting held on 2 March 2018.

46. 報告期後事項

本集團於報告期後發生下列重大事項：

於二零一七年十二月二十一日，董事會通過決議案出售從事按雙方商定價格為蒙牛集團生產液態奶產品的肥東及蚌埠50%權益。於二零一八年一月二十二日，現代牧業與內蒙古蒙牛乳業(集團)股份有限公司(「內蒙古蒙牛」)訂立兩份股份轉讓協議，據此，現代牧業同意出售，而內蒙古蒙牛同意收購肥東及蚌埠50%權益，總現金代價為人民幣56.04百萬元。

由於在本公司及蒙牛的股東批准前，股份轉讓協議將未能生效，且不允許其一致行動人士於股東大會上投票，故董事認為，股份轉讓協議獲批的可能性於二零一七年十二月三十一日仍屬不確定，故於二零一七年十二月三十一日，持作出售的出售集團定義並不符合國際財務報告準則第5號持作出售非流動資產及已終止經營業務。

股份轉讓協議在本公司於二零一八年三月二日舉行的股東特別大會上獲股東批准。



FINANCIAL SUMMARY

財務概要

		For the year ended 31 December 2017 截至二零一七年 十二月三十一日 止年度 RMB'000 人民幣千元	For the year ended 31 December 2016 截至二零一六年 十二月三十一日 止年度 RMB'000 人民幣千元	For the year ended 31 December 2015 截至二零一五年 十二月三十一日 止年度 RMB'000 人民幣千元	For the year ended 31 December 2014 截至二零一四年 十二月三十一日 止年度 RMB'000 人民幣千元	For the 6 months ended 31 December 2013 截至二零一三年 十二月三十一日 止六個月 RMB'000 人民幣千元
Revenue	收入	4,783,801	4,862,311	4,826,341	5,026,706	1,901,248
Cost of sales before biological fair value adjustment	生物公平值調整前的銷售成本	(3,352,957)	(3,258,127)	(3,167,298)	(3,161,345)	(1,280,342)
Biological fair value adjustment included in cost of sales	計入銷售成本的生物公平值調整	(1,228,046)	(1,116,860)	(1,203,011)	(1,666,242)	(542,821)
Loss arising from changes in fair value less costs to sell of dairy cows	公平值變動減乳牛銷售成本 產生的虧損	(868,337)	(1,058,928)	(474,910)	(329,069)	(16,408)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	於收穫時按公平值減銷售 成本初始確認原料奶 產生的收益	1,228,046	1,116,860	1,203,011	1,666,242	542,821
Other income	其他收入	51,832	69,860	32,094	40,213	15,902
Selling and distribution costs	銷售及分銷開支	(372,602)	(786,929)	(194,542)	(111,909)	(33,595)
Administrative expenses	行政開支	(356,486)	(274,210)	(243,566)	(214,561)	(84,678)
Share of loss of an associate	應佔一間聯營公司虧損	(205)	(1,616)	(1,192)	(6,791)	(872)
Share of profit (loss) of joint ventures	應佔合營公司溢利(虧損)	—	—	5,782	7,004	(287)
Other gains and losses, net	其他收益及虧損淨額	(531,097)	125,554	(107,077)	(209,648)	(37,562)
Other expenses	其他開支	(20,428)	(94,324)	(5,173)	(4,635)	(769)
Profit before finance costs and tax	除融資成本及稅項前溢利	(666,479)	(416,409)	670,459	1,035,965	462,637
Finance costs	融資成本	(328,395)	(368,582)	(315,078)	(265,601)	(113,505)
Profit before tax	除稅前溢利	(994,874)	(784,991)	355,381	770,364	349,132
Income tax expense	所得稅開支	27	(504)	(11,663)	(7,476)	(5,875)
Profit and total comprehensive income for the year/period	年/期內溢利及 全面收入總額	(994,847)	(785,495)	343,718	762,888	343,257
Profit and total comprehensive income attributable to:	以下各方應佔溢利及 全面收入總額:					
Owners of the Company	本公司持有人	(975,116)	(742,103)	321,296	735,317	327,487
Non-controlling interests	非控股權益	(19,731)	(43,392)	22,422	27,571	15,770
		(994,847)	(785,495)	343,718	762,888	343,257
Earnings per share (RMB)	每股盈利(人民幣)					
Basic (cents)	基本(分)	(16.19)	(13.99)	6.37	15.23	6.79
Diluted (cents)	攤薄(分)	(16.19)	(13.99)	6.32	15.08	6.72



Financial Summary 財務概要

From 1 July 2012
to 30 June 2013
二零一二年
七月一日至
二零一三年
六月三十日
RMB'000
人民幣千元

Sales of milk produced	所產牛奶銷售額	2,480,561
Loss arising from changes in fair value less costs to sell of dairy cows	公平值變動減乳牛銷售 成本產生的虧損	(38,599)
Other income	其他收入	106,343
Farm operating expenses	畜牧場經營開支	(1,655,803)
Employee benefits expenses	僱員福利開支	(170,847)
Depreciation	折舊	(135,472)
Share of profit of an associate	應佔一間聯營公司溢利	3,371
Net foreign exchange gain	匯兌收益淨額	9,127
Other gains and losses	其他收益及虧損	(2,400)
Other expenses	其他開支	(92,555)
Profit before finance costs and tax	除融資成本及稅項前溢利	503,726
Finance costs	融資成本	(153,679)
Profit before tax	除稅前溢利	350,047
Income tax expense	所得稅開支	(8,051)
Profit and total comprehensive income for the year	年內溢利及全面收入總額	341,996
Attributable to:	以下各方應佔：	
Equity shareholders of the Company	本公司權益股東	323,832
Minority interests	少數股東權益	18,164
Profit and total comprehensive income for the year	年內溢利及全面收入總額	341,996
Earnings per share (RMB)	每股盈利(人民幣)	
Basic (cents)	基本(分)	6.74
Diluted (cents)	攤薄(分)	6.67



Financial Summary 財務概要

Assets, Liabilities and Equity

資產、負債及權益

		As at 31 December 於十二月三十一日				
		2017 二零一七年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元	2013 二零一三年 RMB'000 人民幣千元
Total assets	總資產	16,717,581	17,808,704	17,507,836	14,117,110	12,493,821
Total liabilities	總負債	9,629,152	10,685,808	9,557,804	7,461,158	6,633,087
Equity attributable to owners of the Company	本公司擁有人應佔權益	6,969,122	7,021,513	7,781,897	6,510,239	5,743,024
Non-controlling interest	非控股權益	119,307	101,383	168,135	145,713	117,710
Total equity	總權益	7,088,429	7,122,896	7,950,032	6,655,952	5,860,734





MODERN FARMING
现代牧业

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)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 1117

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