



中地乳业  
ZhongDi Dairy

中國中地乳業控股有限公司

China ZhongDi Dairy Holdings Company Limited

*(a company incorporated under the laws of the Cayman Islands with limited liability)*

Stock code: 1492

INTERIM REPORT  
2016



# Corporate Profile

We are a modern agricultural and animal husbandry enterprise which is mainly engaged in dairy farming in China. Our business models cover participating in multiple stages of the dairy farming industry value chain, including raising dairy cows, breeding dairy cows, premium raw milk production and sale, importing and selling dairy cows of quality breeds and breeding stock, as well as import trading business in cows, alfalfa hay and other animal husbandry-related products. Currently, we are a National Flagship Enterprise for Industrialization of Agriculture (農業產業化國家重點龍頭企業) accredited by the Ministry of Agriculture (“**MOA**”) of the People’s Republic of China (the “**PRC**”). We intend to continue expanding our operation scale and producing premium and safe raw milk through the scientific operation of modern large-scale farms, maintain and expand our competitive edge in the high-end premium raw milk supply end, and ultimately become one of the largest dairy farming companies in China.



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## Corporate Information

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Zhang Jianshe (Chairman and Chief Executive Officer)  
Mr. Zhang Kaizhan

#### *Non-Executive Directors*

Mr. Liu Dai  
Mr. Du Yuchen  
Mr. Li Jian  
Ms. Yu Tianhua

#### *Independent Non-Executive Directors*

Prof. Li Shengli  
Dr. Zan Linsen  
Mr. Joseph Chow

### SENIOR MANAGEMENT

Mr. Song Naishe  
Mr. Lian Enchen  
Ms. He Shan

### STOCK CODE

The Stock Exchange of Hong Kong Limited  
(the "Stock Exchange") 1492

### INVESTOR RELATIONS CONTACT

Mr. Lian Enchen  
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Chaoyang District  
Beijing  
The PRC  
Email: [ir@zhongdidairy.hk](mailto:ir@zhongdidairy.hk)  
Website: [www.zhongdidairy.hk](http://www.zhongdidairy.hk)

### PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

PO Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

10th Floor, Block A, Time Fortune Compound  
No. A6, Shuguang Xili  
Chaoyang District  
Beijing  
The PRC

## Corporate Information

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
PO Box 1093  
Boundary Hall, Cricket Square  
Grand Cayman KY1-1102  
Cayman Islands

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

### LEGAL ADVISER

Paul Hastings  
21-22/F, Bank of China Tower  
1 Garden Road  
Hong Kong

### AUTHORIZED REPRESENTATIVES

Mr. Zhang Jianshe  
Ms. Ng Sin Yee, Clare

Note:

Due to expiry of contract, Deloitte Touche Tohmatsu, the former auditor of the Company, has retired as the auditor of the Company upon expiry of their term of service. The resolution proposed by the Board to appoint Ernst & Young as the new auditor of the Company was passed at the annual general meeting of the Company held on 30 May 2016. For more details, please refer to the announcements on change of auditor published by the Company on 22 April 2016 and 27 April 2016 and the announcement on poll results of the annual general meeting published by the Company on 30 May 2016.

### AUDITOR

Ernst & Young<sup>(Note)</sup>  
22/F, CITIC Tower, 1 Tim Mei Avenue,  
Central  
Hong Kong

### COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited  
40th Floor  
Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### JOINT COMPANY SECRETARIES

Mr. Lian Enchen  
Ms. Ng Sin Yee, Clare

### COMPANY'S WEBSITE

[www.zhongdidairy.hk](http://www.zhongdidairy.hk)

## Highlights

The board (the “**Board**”) of directors (the “**Directors**”) of China ZhongDi Dairy Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present the interim report of the Company consolidated with the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 (the “**Reporting Period**”).

### FINANCIAL HIGHLIGHTS

	For the six months ended 30 June			
	2016		2015	
	Results before biological fair value adjustments (unaudited) RMB'000	Results after biological fair value adjustments (unaudited) RMB'000	Results before biological fair value adjustments (audited) RMB'000	Results after biological fair value adjustments (audited) RMB'000
Revenue	504,272	504,272	229,849	229,849
Gross profit margin	35%	3%	38%	3%
Profit for the period attributable to ordinary equity holders of the Company	131,939	65,943	42,446	42,514
Basic and diluted earnings per share (RMB cents)		3.0		2.4

Notes:

- (1) Revenue increased by 119% as compared to the corresponding period in 2015.
- (2) Profit for the period before and after biological fair value adjustments increased by 211% and 55%, respectively, as compared to the corresponding period in 2015.

## Management Discussion and Analysis

### MARKET REVIEW

During the first half of 2016, the lingering low prices of milk in the international market, the reduced tariffs of imported milk powder and other factors posed serious impacts on the PRC dairy industry. Meanwhile, affected by the slackening growth of the domestic economy, domestic dairy enterprises were faced with sales difficulty and destocking pressure as well as persistent low milk prices. Cheap imported milk powder with obvious price advantage continued hitting the domestic dairy product industry. As a result, the downward pressure on the domestic raw milk market has not yet been relieved.

Nevertheless, the grim situation without worsening provided a nice respite to the dairy product industry. According to the International Farm Comparison Network, decreasing prices of raw milk in the global markets was bottomed out at the end of June, 2016 and might resume a pickup trend. Though the milk prices in the United States and the European Union are still decreasing due to increased production, the decreasing rates have obviously slowed down. New Zealand, the largest exporting country of dairy products in the world, recorded a surge in the price of raw milk by 9% to equivalent to RMB 1.63/kg raw milk in the latest production season, and the milk prices in South American countries such as Argentina, Brazil and Uruguay started to rebound.

Currently, the competitive dairy product industry in the PRC is still facing the issue of global overcapacity and is experiencing industry reform through resource optimization and reallocation. For dairy farming companies, small-scale dairy cow raising will eventually be eliminated or acquired, and only modernized farms with scientific layout and standardized raising methods will have sustainable competitiveness.

### BUSINESS REVIEW

The Group mainly operates two major businesses: dairy farming business and livestock import trading business. Dairy farming business includes production and sales of premium raw milk and the feeding, breeding and sales of dairy cows, etc. Import trading business mainly includes imports and sales of high quality dairy cows and breeding of livestock as well as import trading business in alfalfa hay and other animal husbandry related products. In particular, production and sales of raw milk are our main sources of income.

During the first half of 2016, the domestic dairy industry remained competitive and the price of raw milk lingered at low level. Benefiting from the geographical advantages of our dairy farms as well as scientific and efficient farm management, we produced raw milk with high quality and at relatively high average selling price. As at 30 June 2016, the average selling price of our raw milk was approximately RMB3,808 per tonne, which was higher than the average domestic milk price. As we have reached long-term purchase and sales strategic partnerships with China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) and its subsidiaries (collectively, “**Mengniu**”) and Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古

## Management Discussion and Analysis

伊利實業集團股份有限公司) and its subsidiaries (collectively, “Yili”), our raw milk were mainly sold to Mengniu and Yili for processing into high-end liquid milk, for example, Mengniu’s Milk Deluxe (特倫蘇) and Yili’s Satine (金典). During the first half of 2016, revenue generated from the dairy farming business, the core business of the Group, amounted to RMB409.8 million, representing 81.3% of the total revenue of the Group. We believe that domestic consumers’ strong demands for high quality and healthy products will help us maintain our strong competitiveness in the supply of premium raw milk.

Our import trading business mainly involves import of dairy cows, alfalfa hay and other animal husbandry related products. During the first half of 2016, revenue generated from our import trading business amounted to RMB94.5 million, accounting for 18.7% of the Group’s total revenue and representing an increase of 91.8% compared with the corresponding period of last year.

On 18 May 2016, the Group was awarded “Advanced Enterprise in the Fourth Session of Awards for the PRC Husbandry Industry (第四屆中國畜牧行業先進企業)”, and Mr. Song Naishe, the deputy general manager of the Company, was awarded the title “Advanced Worker in the Fourth Session of Awards for the PRC Husbandry Industry (第四屆中國畜牧行業先進工作者)”. These awards are accredited by authoritative experts from nationwide husbandry systems to recognize companies and individuals with outstanding contributions to the breakthrough in development and scientific innovation of China’s husbandry industry. The Group will continue to see this as motivation to promote the development of our own business and that of the husbandry industry.

### DAIRY FARM CONSTRUCTION

Focusing on the development status of the dairy industry and the market demand nationwide, we strategically lay out our presence of dairy farms to cover six provinces in Northern China. As at 30 June 2016, we owned and operated seven modern dairy farms, namely, Beijing Shunyi Farm, Inner Mongolia Shangdu Farm (Phase I and Phase II have been combined), Ningxia Helan Farm (Phase I), Ningxia Helan Farm (Phase II), Liaoning Kuandian Farm (Phase I), Hebei Wen’an Farm and Shanxi Tianzhen Farm. Five of the seven farms including Beijing Shunyi Farm, Inner Mongolia Shangdu Farm, Ningxia Helan Farm (Phase II), Hebei Wen’an Farm and Shanxi Tianzhen Farm have not yet completed all the construction works and there are still follow-up works under construction.

In addition, we propose to construct or reconstruct a total of four farms, namely Tianjin Farm, Liaoning Kuandian Farm (Phase II), Inner Mongolia Shangdu Farm (Phase III) and Gansu Zhangye Farm, among which, Tianjin Farm will be reconstructed from the Tianjin Import Quarantine Farm, and the other three farms are to be newly constructed. All of the above-mentioned dairy farms will be located in the dairy farming regions designated by the Development Plan of Major Dairy Farming Regions (2008-2015) (《全國奶牛優勢區域佈局規劃(2008-2015年)》) announced by the MOA in 2009.



## Management Discussion and Analysis

The table below sets forth certain information of the dairy farms in operation and the dairy farms under current expansion plans as at 30 June 2016:

<b>Our Dairy Farm Network</b>	<b>Location</b>	<b>Commencement of Commercial Milk Production</b> <i>(actual or estimate)</i>	<b>Designed Capacity</b> <i>(head of dairy cows)</i>	<b>Size</b> <i>(mu)</i>	<b>Actual Stock</b> <i>(head of dairy cows)</i>
<b>Dairy farms in operation</b>					
Inner Mongolia Shangdu Farm	Northern China	Q3 2003 and Q3 2015 <sup>Note</sup>	7,867	879	6,346
Liaoning Kuandian Farm (Phase I)	Northeastern China	Q4 2003	1,000	118	772
Beijing Shunyi Farm	Northern China	Q4 2011	4,200	336	4,593
Ningxia Helan Farm (Phase I)	Northwestern China	Q4 2013	16,000	4,600	12,497
Ningxia Helan Farm (Phase II)	Northwestern China	Q3 2015	9,607	1,066	5,017
Shanxi Tianzhen Farm	Northern China	Q3 2015	10,717	1,156	9,720
Hebei Wen'an Farm	Northern China	Q1 2016	10,924	1,305	10,345
<b>Subtotal</b>			60,315	9,460	49,290
<b>Dairy farms under expansion plans</b>					
Tianjin Farm	Northern China	Q2 2017	5,045	700	3,172
Liaoning Kuandian Farm (Phase II)	Northeastern China	Q1 2018	6,053	2,060	0
Inner Mongolia Shangdu Farm (Phase III)	Northern China	Q1 2019	20,000	2,289	0
Gansu Zhangye Farm	Northwestern China	Q1 2019	21,434	16,738	0
<b>Subtotal</b>			52,532	21,787	3,172
<b>Total</b>			112,847	31,247	52,462

*Note: Inner Mongolia Shangdu Farm (Phase I) and Inner Mongolia Shangdu Farm (Phase II) have been combined. Commercial production of Inner Mongolia Shangdu Farm (Phase I) and Inner Mongolia Shangdu Farm (Phase II) began at Q3 of 2003 and Q3 of 2015, respectively.*

## Management Discussion and Analysis

### MILK YIELD

We operate seven dairy farms in superior locations in Northern China, Northeastern China and Northwestern China, and our dairy cows were of Holstein breed. As at 30 June 2016, stock in these seven dairy farms had 49,290 dairy cows and stock in the Tianjin Farm (which is proposed to be reconstructed from Tianjin Import Quarantine Farm) had 3,172 dairy cows, and the aforesaid farms had a total stock of 52,462 dairy cows, excluding the male calves at our dairy farms and the dairy cows held for sale kept at our quarantine farms. The average annual milk yield of milkable dairy cows was 10.1 tonnes, which is largely the same as that of the corresponding period of last year.

### RAW MILK QUALITY

Thanks to the superior locations of our dairy farms and modern scientific farming methods, we produce and sell raw milk with stable quality and excellent physical and chemical indicators which are superior to European, American and Japanese standards. Therefore, we have been able to maintain a relatively higher raw milk price. Our raw milk is used for processing into high-end liquid milk such as UHT (Ultra-high temperature) milk, fresh milk and yogurt.

### FEEDS AND FEEDS PLANTATIONS

As at 30 June 2016, we had used leased or contracted land with a total area of approximately 67,050 mu for constructing six crop farms surrounding or close to the dairy farms as plantations of feeds to ensure the quality of feeds for dairy cows, effective cost control and stable supply. Our crop farms are mainly for supply of feeds such as corn and alfalfa for our dairy cows. Crop farms can save transportation expenses of feeds, ensure the quality and stable supply of feeds and enhance cost effectiveness, while the cow wastes can be used as organic fertilizers for crop plantation, which not only reduce the processing cost but also increase crop production and avoid damaging the environment due to excessive use of chemical fertilizers, and can generate positive results.

### PROSPECTS

We will continue enhancing our management skills and standards in respect of dairy cow breeding and feeding, produce premium and safe raw milk through scientific operation of modern farms of scale, maintain and extend our competitive advantage in the supply of high-end premium raw milk. Meanwhile, we will further improve the operational efficiency of dairy farms, adjust and optimize herd structure, increase yields, stabilize production capacity, reduce costs and increase efficiency. Our detailed measures are set out below:

#### *Continue to proceed with expansion of dairy farms*

Our Hebei Wen'an Farm commenced commercial production on 1 January 2016. As at 30 June 2016, seven farms have carried out commercial production, including Inner Mongolia Shangdu Farm (Phase I and Phase II have been combined), Liaoning Kuandian Farm (Phase I), Beijing Shunyi Farm, Ningxia Helan Farm (Phase I), Ningxia Helan Farm (Phase II), Shanxi Tianzhen Farm and Hebei Wen'an Farm, with a stock of 49,290 milk cows in total.

## Management Discussion and Analysis

The farms that we plan to construct and reconstruct include:

Tianjin Farm with a designed capacity of 5,045 cows, being the reconstruction project of the Tianjin Import Quarantine Farm, which began to acquire foundation cows in June 2016, and is expected to start commercial production in the second quarter of 2017; Liaoning Kuandian Farm (Phase II) with a designed capacity of 6,053 cows, which is planned to commence construction at the end of 2016, will complete construction at the end of 2017, introduce milk cows in May 2017, and start commercial production in the first quarter of 2018; Inner Mongolia Shangdu Farm (Phase III) with designed scale of 20,000 cows, which is planned to commence construction in May 2017, is expected to complete construction in June 2019, introduce milk cows in February 2018, and start commercial production in the first quarter of 2019; Gansu Zhangye Farm with designed scale of 21,434 cows, which is planned to commence construction in March 2017, is expected to complete construction at the end of 2018, introduce milk cows in February 2018, and start commercial production in the first quarter of 2019.

If the above-mentioned expansion plans are successfully completed, the total area of our dairy farms is expected to reach approximately 31,247 mu, representing a 230% increase as compared with the current size of 9,460 mu of the seven dairy farms in operation as at 30 June 2016. The dairy farms to be owned and operated by us will have an aggregate designed capacity to raise more than 110,000 dairy cows. Through scientific layout in advantageous dairy farming regions, we will further enhance the advantage of scale operations to increase our market share and enhance our sustained market competitiveness.

### ***Further improve the operational efficiency of dairy farms***

With “cost reduction and efficiency enhancement” as the key of operation, we will promote production technologies which can save cost and enhance efficiency; adopt normalized, standardized, scientific, meticulous and systematic management in areas such as feeding and breeding of dairy cows, feeds procurement and storage; raise production of dairy cows and stabilize production capacity through scientific, nutritional, balanced and precise feeding to improve the yield per dairy cow; improve and enhance the genetic characteristics of dairy cows; and adjust and optimize the structure of cow herds to achieve the objective of Dairy Herd Improvement, ultimately achieving the goal of reducing acquisition and operational costs while improving profitability.

### ***Actively expand the dairy product processing and sales business***

Leveraging the advantage of our dairy farms in producing premium raw milk and considering the actual situation such as the supply and demand of China’s dairy market, the development stages of the Group’s dairy farm operation business and the size of capital required, we will expand into dairy product processing and sales business in the downstream industrial chain as and when opportunity arises. Currently, the premium raw milk produced in our dairy farming business is mainly supplied to Mengniu and Yili. With the expansion of our farm size, we plan to use part of the premium raw milk which has not been sold to Mengniu and Yili for processing into fresh milk and yogurt. Compared to other categories of dairy products, we anticipate that fresh milk and yogurt will have more development potentials in the future China market. The quality of raw milk we produce will also better cater the demand for producing fresh milk and yogurt of higher standards.

## Management Discussion and Analysis

As for the mode to be taken in the dairy processing and sales business, we will consider factors such as the size of capital required and the progress of business negotiation, and take the mode of self establishment or mergers and acquisitions, or establish new business operation with joint venture partners. By downstream business expansion, we will be able to fully realise our advantage in upstream supply of raw milk to effectively resist the adverse effects of market volatility, improve our integration capability and enhance our competitiveness.

### *Continue to promote management of feeds planation*

We will seek to lease additional sizable parcels of crop land in the vicinity of our dairy farms to grow feeds as a stable and cost-efficient source of feeds for dairy cows. We strive to optimize the operational efficiency of our crop farms to further improve the yield and efficacy of the crops grown at our crop farms. We will reduce costs and enhance efficiency of the dairy farms by operation of the aforesaid combination of feeds plantation and cow breeding management.

China's dairy industry has undergone turbulent market changes. In the collision process of various factors, the market has completed its mission of self resource allocation. Currently the demand in the dairy industry is still weak. However, we believe that the dairy market will not remain pessimistic and decline persistently. In the international market, both production capacity and price of raw milk will set to usher in adjustment. Although there will not be obvious and significant rise, the price of raw milk has stabilized at the bottom and may resume a pickup trend. The launching of the two-child policy has brought about fresh and huge demand for dairy products in the domestic dairy product market, and is estimated to bring a 20% increment to the infant formula market. Based on the current 16 million newborns with a market size of milk powder of nearly RMB70,000 million, full implementation of the two-child policy will bring about an increased market size of at least RMB14,000 million. China's two-child policy will positively boost the raw milk and dairy cow import market. Meanwhile, Chinese residents will gradually raise recognition of China-made quality fresh milk, and per capita consumption of premium domestic milk will increase significantly. As such, there will still be vast room for development of China's dairy product industry in the future.

## Management Discussion and Analysis

### FINANCIAL OVERVIEW

#### Revenue

The table below sets forth the revenue of each business segment for the six months ended 30 June 2016 and 2015, respectively:

	Six months ended 30 June					
	2016			2015		
	External Sales RMB'000	Internal Sales RMB'000	Total RMB'000	External Sales RMB'000	Internal Sales RMB'000	Total RMB'000
Dairy farming business	409,768	—	409,768	180,566	—	180,566
Import trading business	94,504	98,945	193,449	49,283	190,581	239,864
Total	504,272	98,945	603,217	229,849	190,581	420,430

Our revenue for the six months ended 30 June 2016 amounted to RMB504 million as compared to RMB230 million for the six months ended 30 June 2015, representing a year-on-year increase of 119%. The increase was mainly attributed to an increase in the sales of raw milk of newly constructed dairy farms.

#### Dairy Farming Business

The revenue of our dairy farming business for the six months ended 30 June 2016 amounted to RMB410 million as compared to RMB181 million for the six months ended 30 June 2015, representing a year-on-year increase of 126.9%. The increase in revenue of our dairy farming business was attributed to the expansion of the scale of our dairy herd.

Revenue, sales volume and unit selling price of our raw milk for the periods indicated are detailed in the table below:

	Six months ended 30 June					
	2016			2015		
	Revenue RMB'000	Sales Volume tonne	Unit Selling Price RMB/tonne	Revenue RMB'000	Sales Volume tonne	Unit Selling Price RMB/tonne
Raw milk	409,768	107,615	3,808	180,566	41,057	4,398

In 2016, with Inner Mongolia Shangdu Farm (Phase II), Ningxia Helan Farm (Phase II), Shanxi Tianzhen Farm and Hebei Wen'an Farm starting production successively, the sales volume of raw milk increased. Meanwhile, as affected by the market, the price of raw milk decreased.

## Management Discussion and Analysis

### Import Trading Business

Revenue from our import principal trading business and import agency business for the periods indicated is detailed in the table below:

	Six months ended 30 June			
	2016		2015	
	Revenue RMB'000	Percentage	Revenue RMB'000	Percentage
Import principal trading business	90,119	95.4%	48,971	99.4%
Import agency business	4,385	4.6%	312	0.6%
<b>Total</b>	<b>94,504</b>	<b>100.0%</b>	<b>49,283</b>	<b>100.0%</b>

The revenue of our import trading business for the six months ended 30 June 2016 amounted to RMB94.5 million as compared to RMB49.3 million for the six months ended 30 June 2015, representing a year-on-year increase of 91.7%, which was mainly attributed to an increase in the number of importing and selling cows.

### Gross Profit and Gross Profit Margin

The breakdown of gross profit and gross profit margin before fair value adjustments of our two business segments is set out below:

	Six months ended 30 June			
	2016		2015	
	Gross Profit RMB'000	Gross Profit Margin	Gross Profit RMB'000	Gross Profit Margin
Dairy farming business	164,081	40.0%	82,165	45.5%
Import trading business	14,555	15.4%	5,576	11.3%
<b>Total</b>	<b>178,636</b>	<b>35.4%</b>	<b>87,741</b>	<b>38.2%</b>

Gross profit of the raw milk business of our dairy farming business was RMB164.1 million, representing an increase of 99.7% as compared to the corresponding period of last year, which was mainly attributed to the expansion of the scale of our dairy herds as well as a sharp increase in both production and sales volume of raw milk. The gross profit of our import trading business was RMB14.6 million, representing an increase of 161.0% as compared to the corresponding period of last year, which was mainly attributed to the impact of an increase in the volume of cow importing business.

Gross profit margin of our farming business was 40.0%, representing a decrease of 5.5% as compared to the gross profit margin of 45.5% for the corresponding period of last year, which was mainly attributed to the decline in the unit selling price of raw milk in 2016. The gross profit margin of our import trading business was 15.4%, as compared to 11.3% for the corresponding period of last year, which was mainly attributed to the increase in business volume.

## Management Discussion and Analysis

### Cost of Sales

Cost of sales of our dairy farming business is as follows:

	Six months ended 30 June			
	2016		2015	
	RMB'000	Percentage	RMB'000	Percentage
Feed	194,771	79.3%	79,988	81.3%
Labour costs	16,933	6.9%	6,054	6.2%
Others	33,982	13.8%	12,359	12.5%
Total	245,686	100.0%	98,401	100.0%

Feed costs represented approximately 79.3% of the sales cost of our dairy farming business (before fair value adjustments) for the six months ended 30 June 2016. As the feed costs declined, the Group's sales cost per tonne of raw milk decreased by 4.8% from RMB2,397 as at 30 June 2015 to RMB2,283 as at 30 June 2016 .

### Gains/Losses Arising from Changes in the Fair Value Less Costs to Sell of Biological Assets

Losses from changes in the fair value of biological assets less costs to sell for the six months ended 30 June 2016 was RMB57.5 million, representing a year-on-year decrease of RMB62.5 million as compared to net gains of RMB5.0 million for the corresponding period of last year, which was mainly attributed to the regular and systematic culling of milkable cows whose milk yield were low in economic efficiency as compared to their feeding costs and a decline in the average selling price of raw milk with industry fluctuations.

### Gains Arising from Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell upon Harvest

Our gains arising from initial recognition of agricultural produce at fair value less costs to sell upon harvest increased by approximately 104.1% from RMB76.2 million for the six months ended 30 June 2015 to RMB155.5 million for the six months ended 30 June 2016, primarily reflecting an increase in the sales volume of our raw milk.

### Other Income

Other income includes government grants, bank interest income and others. Income from government grants recognized for the six months ended 30 June 2016 was RMB19.4 million, representing a year-on-year increase of 141.8% as compared to RMB8.0 million for the six months ended 30 June 2015.

## Management Discussion and Analysis

### Operating Expenses

	Six months ended 30 June		Rate of Change
	2016 RMB'000	2015 RMB'000	
Distribution cost	<b>11,760</b>	9,133	28.8%
Administrative expenses	<b>37,678</b>	21,327	76.7%
Other expenses	<b>56</b>	8,369	-99.3%
Total	<b>49,494</b>	38,829	27.5%

The amount of operating expenses increased by 27.5% from RMB38.8 million for the six months ended 30 June 2015 to RMB49.5 million for the six months ended 30 June 2016. In particular, administrative expenses increased by 76.7% on a year-on-year basis, which was mainly attributed to the newly constructed farms.

### Financing Costs

Financing costs increased by 53.0% from RMB14.2 million for the six months ended 30 June 2015 to RMB21.8 million for the six months ended 30 June 2016, which was mainly attributable to the increase in bank borrowings as a result of the expansion of the farm scale.

### Liquidity and Sources of Funds

The working capital of the Group mainly derived from cash inflow generated from daily operating activities, bank borrowings and proceeds from listing. As at 30 June 2016, the gearing ratio of the Company was approximately 41.2% (31 December 2015: 40.5%). The gearing ratio was calculated by total liabilities divided by total assets. The bank balances and cash balance were RMB363.3 million (31 December 2015: RMB296.4 million).

### Indebtedness

Borrowings of the Group were mainly denominated in RMB and USD. As at 30 June 2016, the balance of short-term borrowings including long-term borrowings due within one year was RMB835.3 million. The lowest and highest interest rates of the short-term borrowings were 1.2% and 6.1%, respectively. As at 30 June 2016, the balance of long-term borrowings after deducting the portion due within one year was RMB214.1 million. The lowest and highest interest rates of the long-term borrowings were 5.2% and 6.7%, respectively. The amount of fixed-rate bank borrowings was approximately RMB483.8 million.

### Contingent Liabilities

As at 30 June 2016, there were no material contingent liabilities (31 December 2015: Nil).



## Management Discussion and Analysis

### *Foreign Exchange Risk*

As at 30 June 2016, save for the bank balances and cash balance of RMB207.1 million which are USD denominated assets and RMB9 million which are HKD denominated assets, and bank borrowings of RMB72.4 million which are USD denominated borrowings, the other assets and liabilities of the Group are settled in RMB. For the six months ended 30 June 2016, the Board is of the view that the Group does not have any significant foreign exchange risk.

### *Significant Investments, Acquisitions and Disposals of Assets*

Save as disclosed in note 18(e) to the interim condensed consolidated financial statements, the Group had no other significant investments during the Reporting Period. During the Reporting Period, the Group had no other significant acquisitions or disposals regarding subsidiaries, associated companies and joint ventures.

### *Pledge of Assets*

Save for the amounts disclosed in notes 13 and 15 to the interim condensed consolidated financial statements, there was no pledge of assets of the Group.

### *Interim Dividend*

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

### *Human Resources*

We had approximately 1,150 formal employees in the PRC and Hong Kong as at 30 June 2016 (30 June 2015: 667 formal employees). For the six months ended 30 June 2016, total staff costs including independent non-executive Directors' fees were approximately RMB49.9 million (corresponding period of 2015: RMB28.9 million).

We re-designed and restructured the Group's corporate organization and enhanced the Group's human resources management in order to cope with the Company's strategic development.

We adjusted our existing remuneration policies in order to attract, retain and motivate outstanding talents and ensure that the Company's working team is capable of achieving the Company's business goals and maximize the value of the shareholders of the Company (the "**Shareholders**"). The Company will regularly adjust its remuneration policies and employee benefits with reference to industry standards and performance of individual employees.

In the meanwhile, we also proactively recruited middle-to-high level personnel and core business personnel through various channels such as online recruitment, campus recruitment and social recruitment in order to improve the Company's management standard and efficiency.

We will also provide specific and differentiated training programs to all employees of the Group in order to improve their management standard and occupational skills.

## Management Discussion and Analysis

The PRC employees of the Group are members of a government-managed retirement benefit plan established by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit plan to fund the benefits.

On 28 October 2015, the Company adopted a share option scheme (the “**Post-IPO Share Option Scheme**”) as a means of motivation and incentive, further details of which are set out in the section headed “Statutory and General Information - Post-IPO Share Option Scheme” in Appendix IV to the prospectus of the Company dated 20 November 2015 (the “**Prospectus**”) and the section headed “Other Information - Post-IPO Share Option Scheme” of this interim report. As at the date of this interim report, the Company did not grant any share options pursuant to the Post-IPO Share Option Scheme.

### OVER-ALLOTMENT

On 2 December 2015, the shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange by way of initial public offering. The Company allotted and issued a total of 391,056,000 new ordinary Shares with nominal value of US\$0.00001 each to the public at a price of HK\$1.20 per Share pursuant to the Global Offering (as defined in the Prospectus). The over-allotment option was partially exercised on 24 December 2015 for 1,542,000 Shares which were issued by the Company on 4 January 2016 at HK\$1.20 per Share. As at 4 January 2016, after the issue of the over-allotment Shares, the Company had an aggregate of 2,174,078,000 Shares in issue.

## Other Information

### INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the “SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

#### Long Positions (“L”) and Short Positions (“S”) in the Shares

Name of Director	Nature of Interest	Total Number of Shares	Approximate Percentage of Total Issued Share Capital of the Company as at 30 June 2016
Mr. Zhang Jianshe <sup>(1)</sup>	Interest of controlled corporation/Interest of concert parties	875,068,000(L)	40.25%
Mr. Zhang Kaizhan <sup>(1)</sup>	Interest of controlled corporation/Interest of concert parties	875,068,000(L)	40.25%
Mr. Liu Dai <sup>(1)</sup>	Interest of controlled corporation/Interest of concert parties	875,068,000(L)	40.25%

Notes:

- (1) As at 30 June 2016, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment Company Limited (“YeGu Investment”) which directly held 350,778,000 Shares and indirectly held, through its shareholding in Green Farmlands Group, 315,790,000 Shares. Accordingly, under the SFO, Mr. Zhang Jianshe was deemed to be interested in the 666,568,000 Shares held directly and indirectly by YeGu Investment. In addition, as at 30 June 2016, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding companies (namely SiYuan Investment Company Limited (“SiYuan Investment”) and Tai Shing Company Limited (“Tai Shing”)), indirectly held 61,460,000 Shares and 147,040,000 Shares, respectively.

Pursuant to a concert parties arrangement (the “Concert Parties Arrangement”), which was recorded and supplemented by the letter of confirmation and undertakings dated 15 April 2015, Mr. Zhang Jianshe agreed to take the lead in the decision-making, operation and management of the Group, while Mr. Zhang Kaizhan and Mr. Liu Dai agreed to support Mr. Zhang Jianshe by acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the then members of our Group. In addition, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai have further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the Concert Parties Arrangement.

As such, as at 30 June 2016, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai would, through their respective holding companies, together held 875,068,000 Shares, representing approximately 40.25% of the issued share capital of the Company as of 30 June 2016. Under the SFO, because of the Concert Parties Arrangement, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai were deemed to be interested in 40.25% of the issued share capital of the Company as at 30 June 2016.

## Other Information

Save as disclosed above, as at 30 June 2016, so far as was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under section 336 of the SFO, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying Shares were as follows:

#### Long Positions ("L") and Short Positions ("S") in the Shares

Name of Substantial Shareholder	Nature of Interest	Total Number of Shares	Approximate Percentage of Total Issued Share Capital of the Company as at 30 June 2016
Li Jingtao <sup>(1)</sup>	Interest of spouse	875,068,000(L)	40.25%
YeGu Investment	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Zhang Fanghong <sup>(2)</sup>	Interest of spouse	875,068,000(L)	40.25%
SiYuan Investment	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Yang Shulan <sup>(3)</sup>	Interest of spouse	875,068,000(L)	40.25%
Tai Shing	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Green Farmlands Group	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Shanghai Jingmu Investment Center ("Shanghai Jingmu") <sup>(4)</sup>	Interest of controlled corporation	277,760,000(L)	12.78%
Goldstone Agri-Investment Funds Management Center (Limited Partnership) <sup>(4)</sup>	Interest of controlled corporation	277,760,000(L)	12.78%

## Other Information

Name of Substantial Shareholder	Nature of Interest	Total Number of Shares	Approximate Percentage of Total Issued Share Capital of the Company as at 30 June 2016
Beijing Agriculture Investment Fund (Limited Partnership) (" <b>Agriculture Investment Fund</b> ") <sup>(4)</sup>	Interest of controlled corporation	277,760,000(L)	12.78%
Beijing Jianye Fengde Investment Consulting Co., Ltd. <sup>(4)</sup>	Interest of controlled corporation	277,760,000(L)	12.78%
Agriculture Investment Company Limited (" <b>Agriculture Investment</b> ") <sup>(4)</sup>	Beneficial owner	172,500,000(L)	7.93%
CITIC Capital Holdings Limited <sup>(5)</sup>	Interest of controlled corporation	174,100,000(L)	8.01%

### Notes:

- (1) Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in the Shares in which Mr. Zhang Jianshe is interested under the SFO.
- (2) Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the Shares in which Mr. Zhang Kaizhan is interested under the SFO.
- (3) Ms. Yang Shulan is the spouse of Mr. Liu Dai and is therefore deemed to be interested in the Shares in which Mr. Liu Dai is interested under the SFO.
- (4) Shanghai Jingmu is the sole shareholder of both Agriculture Investment and Jingmu Investment Company Limited and is therefore deemed to be interested in the Shares held by them (being 277,760,000 Shares in total). Agriculture Investment Fund is the limited partner of Shanghai Jingmu holding approximately 75.05% of its registered capital, while Goldstone Agri-Investment Funds Management Center (Limited Partnership) is the general partner of Shanghai Jingmu holding approximately 0.11% of its registered capital. Accordingly, each of Agriculture Investment Fund and Goldstone Agri-Investment Funds Management Center (Limited Partnership) is deemed to be interested in the 277,760,000 Shares held by Agriculture Investment and Jingmu Investment Company Limited under the SFO. Furthermore, Beijing Jianye Fengde Investment Consulting Co., Ltd., the general partner of Goldstone Agri-Investment Funds Management Center (Limited Partnership), is also deemed to be interested in the 277,760,000 Shares referenced above under the SFO.
- (5) CITIC Capital Holdings Limited held 174,100,000 Shares through a number of wholly-owned subsidiaries.

Save as disclosed above, as at 30 June 2016, the Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Other Information

### POST-IPO SHARE OPTION SCHEME

The Company adopted the Post-IPO Share Option Scheme on 28 October 2015 (effective on the listing date of the Shares on the Stock Exchange), a type of equity-linked agreement, with a view to enabling the Company to grant share options to selected participants and providing the Company with a flexible means to retain, motivate, incentivize, reward, remunerate, compensate and/or provide benefits to selected participants.

As at 30 June 2016, no share options has been granted by the Company or remained outstanding under the Post-IPO Share Option Scheme and no relevant expenses were recognized accordingly.

### CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance to protect the interest of the Shareholders and to enhance the confidence of investors for establishing a sound foundation for corporate development. For the six months ended 30 June 2016, save as disclosed below, the Company has complied with the requirements of the code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules. Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang Jianshe is the Chairman and Chief Executive Officer of the Company. He is also the founder of the Group. The Board believes that vesting the roles of both the Chairman and Chief Executive Officer of the Company in Mr. Zhang Jianshe would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plan. Furthermore, in view of Mr. Zhang Jianshe’s extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group if Mr. Zhang Jianshe continues to act as both the Chairman and Chief Executive Officer of the Company, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors and independent non-executive Directors.

### BOARD OF DIRECTORS

As at the date of this interim report, members of the Board comprises Mr. Zhang Jianshe and Mr. Zhang Kaizhan as executive Directors; Mr. Liu Dai, Mr. Du Yuchen, Mr. Li Jian and Ms. Yu Tianhua as non-executive Directors; and Prof. Li Shengli, Dr. Zan Linsen and Mr. Joseph Chow as independent non-executive Directors.

## Other Information

### CHANGE IN INFORMATION OF DIRECTOR

Change in director's information which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rule are set out below:

1. Mr. Joseph Chow, independent non-executive Director, has been appointed as independent non-executive director of CAR Inc., a company listed on the Stock Exchange (stock code: 0699) with effect from January 2016.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for securities transactions (the "**Company's Securities Dealings Code**") regarding Directors' and Restricted Persons' (as defined in the Company's Securities Dealings Code) dealings in the Company's securities on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Securities Dealings Code throughout the Reporting Period.

The Company's Securities Dealings Code also applies to employees of the Group who may obtain or possess inside information (as defined in the SFO). The Company is not aware of any incidence of non-compliance with the Company's Securities Dealings Code by the employees of the Group.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2016, none of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

### MATERIAL EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2016 and up to the date of this interim report, the Group did not have any material events which would need to be brought to the attention of the Stock Exchange or the Shareholders.

### AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising Mr. Joseph Chow (Chairman) and Prof. Li Shengli, who are independent non-executive Directors, and Ms. Yu Tianhua, who is a non-executive Director, has reviewed the accounting principles and practices adopted by the Group, and has reviewed issues relating to internal control and risk management systems and financial reporting with the management of the Company. The Audit Committee has reviewed the unaudited interim financial statements of the Company for the six months ended 30 June 2016 and this interim report and is of the opinion that the unaudited interim financial statements and this interim report comply with all applicable accounting standards, legal requirements and requirements of the Listing Rules and adequate disclosures have been made.

## Other Information

### INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular contact is held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development.

### APPRECIATIONS

The Board would like to take this opportunity to express its appreciation to the Shareholders and the public for their support to the Group, and to express its sincere appreciation to all the staff for their efforts and contributions to the Group.

On behalf of the Board  
**China ZhongDi Dairy Holdings Company Limited**  
**Zhang Jianshe**  
*Chairman*

Hong Kong, 18 August 2016



# Report on Review of Interim Condensed Consolidated Financial Information



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**To the Board of Directors**  
**China ZhongDi Dairy Holdings Company Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial information set out on pages 25 to 52, which comprises the interim condensed consolidated statement of financial position of China ZhongDi Dairy Holdings Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”).

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made 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.

# Report on Review of Interim Condensed Consolidated Financial Information

## SCOPE OF REVIEW

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

## CONCLUSION

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

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

18 August 2016

## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the six months ended					
		30 June 2016			30 June 2015		
	Notes	Results before biological fair value adjustments (unaudited) RMB'000	Biological fair value adjustments (unaudited) RMB'000	Total (unaudited) RMB'000	Results before biological fair value adjustments (audited) RMB'000	Biological fair value adjustments (audited) RMB'000	Total (audited) RMB'000
Revenue	4	504,272	—	504,272	229,849	—	229,849
Cost of sales	5	(325,636)	(164,093)	(489,729)	(142,108)	(81,149)	(223,257)
Gross profit		178,636	(164,093)	14,543	87,741	(81,149)	6,592
Gains/(losses) arising from changes in fair value less costs to sell of biological assets		—	(57,448)	(57,448)	—	5,008	5,008
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	155,545	155,545	—	76,209	76,209
Other income	4	21,282	—	21,282	9,284	—	9,284
Other gains and losses	4	3,301	—	3,301	(1,509)	—	(1,509)
Distribution costs		(11,760)	—	(11,760)	(9,133)	—	(9,133)
Administrative expenses		(37,678)	—	(37,678)	(21,327)	—	(21,327)
Other expenses	5	(56)	—	(56)	(8,369)	—	(8,369)
Finance costs	6	(21,786)	—	(21,786)	(14,241)	—	(14,241)
<b>PROFIT BEFORE TAX</b>	5	131,939	(65,996)	65,943	42,446	68	42,514
Income tax expenses	7	—	—	—	—	—	—
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		131,939	(65,996)	65,943	42,446	68	42,514
Profit and total comprehensive income attributable to the owners of the Company		131,939	(65,996)	65,943	42,446	68	42,514
Earnings per share attributable to ordinary equity holders of the Company:	9						
– Basic (RMB cents)				3.0			2.4
– Diluted (RMB cents)				3.0			2.4

## Interim Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>1,142,288</b>	1,130,067
Prepayments for property, plant and equipment		<b>48,932</b>	44,723
Land lease prepayments		<b>92,611</b>	76,799
Biological assets	11	<b>1,286,340</b>	1,185,540
		<b>2,570,171</b>	2,437,129
<b>CURRENT ASSETS</b>			
Inventories		<b>269,028</b>	324,480
Trade and other receivables	12	<b>134,390</b>	65,702
Land lease prepayments		<b>25,323</b>	3,579
Biological assets	11	<b>1,060</b>	45,586
Pledged bank deposits	13	<b>21</b>	38,289
Bank balances and cash	13	<b>363,274</b>	296,380
		<b>793,096</b>	774,016
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>308,792</b>	363,278
Bank borrowings	15	<b>835,256</b>	612,397
		<b>1,144,048</b>	975,675
<b>NET CURRENT LIABILITIES</b>		<b>(350,952)</b>	(201,659)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,219,219</b>	2,235,470

## Interim Condensed Consolidated Statement of Financial Position

		As at	
	Notes	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	15	214,054	297,304
Deferred income		28,097	27,041
		<b>242,151</b>	324,345
Net Assets		<b>1,977,068</b>	1,911,125
<b>CAPITAL AND RESERVES</b>			
Share capital	16	135	135
Share premium and reserves		1,976,933	1,910,990
Equity attributable to owners of the Company		<b>1,977,068</b>	1,911,125

The interim condensed consolidated financial statements on page 25 to 52 were approved and authorised for issue by the Board on 18 August 2016 and are signed on its behalf by:

\_\_\_\_\_  
Zhang Jianshe  
Director

\_\_\_\_\_  
Zhang Kaizhan  
Director

## Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	135	1,017,681	398,541	30,312	464,456	1,911,125	—	1,911,125
Profit and total comprehensive income for the period	—	—	—	—	65,943	65,943	—	65,943
As at 30 June 2016 (unaudited)	135	1,017,681	398,541	30,312	530,399	1,977,068	—	1,977,068
As at 1 January 2015	110	653,433	398,541	21,131	375,498	1,448,713	4,900	1,453,613
Profit and total comprehensive income for the period	—	—	—	—	42,514	42,514	—	42,514
Distribution to the non-controlling shareholder of Lhasa ZhongDi Farming Co., Ltd.	—	—	—	—	—	—	(4,900)	(4,900)
As at 30 June 2015 (audited)	110	653,433	398,541	21,131	418,012	1,491,227	—	1,491,227

## Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended	
	30 June 2016 (unaudited) RMB'000	30 June 2015 (audited) RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>65,943</b>	42,514
Adjustments for:		
Depreciation of items of property, plant and equipment	5 <b>16,505</b>	8,957
Recognition of lease prepayments	5 <b>2,102</b>	2,198
Government grants related to biological assets and other assets	<b>(12,974)</b>	(6,022)
Finance costs	6 <b>21,786</b>	14,241
Interest income	4 <b>(420)</b>	(387)
Loss on disposal of items of property, plant and equipment	4 <b>62</b>	10
Losses/(gains) arising from changes in fair value		
less costs to sell of biological assets	<b>60,779</b>	(4,073)
Foreign exchange differences, net	<b>(4,302)</b>	—
Operating cash flows before movements in working capital	<b>149,481</b>	57,438
Decrease in inventories	<b>55,452</b>	31,125
(Increase)/decrease in trade and other receivables	<b>(51,092)</b>	14,168
Decrease in biological assets – current	<b>44,526</b>	37,512
Decrease in trade and other payables	<b>(54,814)</b>	(9,837)
Cash generated from operations	<b>143,553</b>	130,406
Interest income received	<b>420</b>	387
Net cash flows from operating activities	<b>143,973</b>	130,793

## Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended	
	30 June 2016 (unaudited) RMB'000	30 June 2015 (audited) RMB'000
<b>INVESTING ACTIVITIES</b>		
Payments for items of property, plant and equipment	(39,235)	(188,140)
Payments for biological assets	(179,367)	(124,136)
Payments for lease prepayments	(57,882)	(50,260)
Proceeds from disposal of items of property, plant and equipment	344	—
Proceeds from disposal of biological assets	32,983	13,492
Repayment by a related party	—	12,128
Withdrawals of pledged bank deposits	38,268	4,344
Net cash inflow on disposal of a subsidiary	—	13,565
Purchase of time deposits with original maturity of more than three months	(153,181)	—
Government grants received in relation to biological assets and other assets	14,030	6,333
Net cash flows used in investing activities	(344,040)	(312,674)
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	465,756	415,891
Repayment of borrowings	(326,147)	(241,402)
Interest and guarantee fees paid	(30,131)	(23,309)
Distribution to non-controlling interests	—	(4,900)
Net cash flows from financing activities	109,478	146,280
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of the period	296,380	146,148
Effect of foreign exchange rate changes, net	4,302	—
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>210,093</b>	<b>110,547</b>
Represented by bank balances and cash:		
Bank balances and cash as stated in the interim condensed statement of financial position	363,274	110,547
Time deposits with original maturity of more than three months	(153,181)	—
	<b>210,093</b>	<b>110,547</b>



# Notes to Interim Condensed Consolidated Financial Statements

## 1. GENERAL AND BASIS OF PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares were listed on the Stock Exchange on 2 December 2015. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and its principal place of business is located at Beijing, the PRC.

The principal activity of the Company is investment holding. The Group is mainly engaged in operations of dairy farms to produce raw milk and importing and selling cows.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### *Going concern*

The Group had net current liabilities of RMB350,952,000 as of 30 June 2016. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking facilities available as at 30 June 2016 and the cash flow projections for the twelve-month period ending 30 June 2017, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds. Accordingly, the Directors have prepared the interim condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The interim condensed consolidated financial statements do not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

### *Basis of preparation*

The interim condensed consolidated financial statements for the Reporting Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

## Notes to Interim Condensed Consolidated Financial Statements

### 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

*(continued)*

#### *New standards and amendments adopted by the Group*

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2016 as listed below:

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 16 and IAS 41: *Agriculture: Bearer Plants*
- Amendments to IAS 27: *Equity Method in Separate Financial Statements*
- Annual Improvements 2012-2014 Cycle
- Amendments to IAS 1 *Disclosure Initiative*
- Amendments to IFRS 10, IFRS 12, and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there has been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

Mr. Zhang Jianshe, the chairman of the board of directors of the Company and the chief executive of the Group, is identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. For the Group's dairy farming business, the CODM reviews operating results and financial information on a company by company basis and each company is identified as an operating segment. Since the group companies engaged in the dairy farming business are operating in similar business model with similar target group of customers and under the same regulatory environment, they are aggregated into a single reportable segment. The Group's import trading business is carried out by Beijing ZhongDi Stud Livestock Co., Ltd. ("**ZhongDi Beijing**"), which was also responsible for headquarters' management function up to March 2016, until ZhongDi Dairy Group Co., Ltd. ("**Dairy Group**") took over the responsibility for the headquarters' management function. The operating results and financial information of the import trading business are reviewed by the CODM apart from the costs and expenses incurred by ZhongDi Beijing for headquarters' management purpose.

## Notes to Interim Condensed Consolidated Financial Statements

### 3. SEGMENT INFORMATION *(continued)*

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

- Import trading business: imports and sales of cows and feeds and provision of import agency service; and
- Dairy farming business: raising and breeding dairy cows, raw milk production and sale of reproduced heifers.

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

	Import trading business RMB'000	Dairy farming business RMB'000	Total RMB'000
<b>For the six months ended 30 June 2016 (unaudited)</b>			
Segment revenue	193,449	409,768	603,217
Less: Inter-segment revenue	(98,945)	—	(98,945)
External revenue	94,504	409,768	504,272
Segment profit	24,411	78,371	102,782
Biological assets fair value adjustments			13,580
Elimination of inter-segment results			(16,838)
Finance costs			(21,786)
Unallocated operating expenses			(11,795)
Profit before tax			65,943
<b>As at 30 June 2016 (unaudited)</b>			
Segment assets	711,377	2,965,160	3,676,537
Elimination of inter-segment receivables	(374,052)	(215,669)	(589,721)
	337,325	2,749,491	3,086,816
Biological assets fair value adjustments			204,016
Other unallocated assets			72,435
Total assets			3,363,267
Segment liabilities	267,145	655,155	922,300
Elimination of inter-segment payables	(215,669)	(374,052)	(589,721)
	51,476	281,103	332,579
Borrowings			1,049,310
Other unallocated liabilities			4,310
Total liabilities			1,386,199

## Notes to Interim Condensed Consolidated Financial Statements

### 3. SEGMENT INFORMATION *(continued)*

	Import trading business RMB'000	Dairy farming business RMB'000	Total RMB'000
<b>For the six months ended 30 June 2015 (audited)</b>			
Segment revenue	239,864	180,566	420,430
Less: Inter-segment revenue	(190,581)	—	(190,581)
External revenue	49,283	180,566	229,849
Segment profit	3,025	50,147	53,172
Biological assets fair value adjustments			24,072
Elimination of inter-segment results			(9,159)
Finance costs			(14,241)
Unallocated operating expenses			(11,330)
Profit before tax			42,514
<b>As at 31 December 2015 (audited)</b>			
Segment assets	690,217	2,790,211	3,480,428
Elimination of inter-segment receivables	(223,395)	(241,714)	(465,109)
	466,822	2,548,497	3,015,319
Biological assets fair value adjustments			195,826
Total assets			3,211,145
Segment liabilities	311,559	542,646	854,205
Elimination of inter-segment payables	(241,714)	(223,395)	(465,109)
	69,845	319,251	389,096
Borrowings			909,701
Other unallocated liabilities			1,223
Total liabilities			1,300,020

## Notes to Interim Condensed Consolidated Financial Statements

### 3. SEGMENT INFORMATION *(continued)*

Segment revenue reported above represents revenue generated from both external and inter-segment customers.

Segment results represent the profit before tax earned by each segment, excluding fair value adjustments of biological assets and agricultural produce held by the Group at the end of each Reporting Period, finance costs and costs and expenses incurred for headquarters management purpose, which represents the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance. Inter-segment sales are charged at prices agreed between contracting parties.

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments and measured without taking into account fair value adjustments for biological assets and agricultural produce held by the Group at the end of each Reporting Period and certain corporate and head office assets; and all liabilities are allocated to operating segments other than borrowings and certain corporate and head office liabilities.

#### *Information about major customers*

Revenue from customers individually contributing over 10% of the Group's revenue during the Reporting Period is as follows:

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
Revenue from dairy farming business		
Customer A	254,322	92,133
Customer B	155,446	88,433
	<b>409,768</b>	180,566

## Notes to Interim Condensed Consolidated Financial Statements

### 4. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue represents the net invoiced value of goods sold and services provided, after allowances for returns and trade discounts.

An analysis of revenue, other income, and other gains and losses is as follows:

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
<b>Revenue</b>		
Revenue from sales of		
– Raw milk	409,768	180,566
– Cows held for sale	84,460	40,793
– Alfalfa	5,659	8,178
Revenue from provision of services		
– Import agency services	4,385	312
	<b>504,272</b>	<b>229,849</b>
<b>Other income</b>		
Government grants related to		
– Income	6,418	2,000
– Biological assets	12,000	5,483
– Other assets	974	539
	<b>19,392</b>	<b>8,022</b>
Bank interest income	420	387
Others	1,470	875
	<b>21,282</b>	<b>9,284</b>
<b>Other gains and losses</b>		
– Loss on disposal of items of property, plant and equipment	(62)	(10)
– Exchange gain/(loss), net	3,743	(941)
– Others	(380)	(558)
	<b>3,301</b>	<b>(1,509)</b>

## Notes to Interim Condensed Consolidated Financial Statements

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
<b>Cost of sales</b>		
Feeds and other related costs for raw milk production	245,686	98,401
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	155,545	76,209
Cost of sales of raw milk	401,231	174,610
Purchase, feeds and other related costs for cows held for sale	75,912	35,853
Gains arising from changes in fair value less costs to sell of biological assets	8,548	4,940
Cost of sales of cows held for sale	84,460	40,793
Costs related to trading of alfalfa	4,038	7,854
	489,729	223,257
<b>Other expenses</b>		
Bank transaction fees	48	44
Listing expenses	—	8,325
Others	8	—
	56	8,369
<b>Staff costs (including Directors' emoluments)</b>		
Salaries, bonuses and allowances	46,965	26,968
Contributions to retirement benefit scheme	2,982	1,931
Total employee benefits	49,947	28,899
Less: Capitalised in biological assets	(16,190)	(9,174)
Employee benefits charged directly in profit or loss	33,757	19,725

## Notes to Interim Condensed Consolidated Financial Statements

### 5. PROFIT BEFORE TAX *(continued)*

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
<b>Depreciation and recognition of lease expenses</b>		
Depreciation of property, plant and equipment	31,072	18,801
Less: Capitalised in biological assets	(14,567)	(9,844)
Depreciation charged directly to profit or loss	16,505	8,957
Recognition of lease payments	20,325	15,699
Less: Capitalised	(18,223)	(13,501)
Charged directly to profit or loss	2,102	2,198
Office rental expenses	1,639	776

### 6. FINANCE COSTS

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
Interest on bank loans wholly repayable within five years	30,761	23,448
Less: Amount capitalised in the cost of property, plant and equipment	(8,975)	(9,207)
	21,786	14,241



## Notes to Interim Condensed Consolidated Financial Statements

### 7. INCOME TAX EXPENSES

The income tax expenses for the Reporting Period can be reconciled to the profit before tax per the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
Profit before tax	65,943	42,514
Tax at applicable income tax rate at 25%	16,486	10,629
Effect of expenses that are not deductible in determining taxable profit	77	2,105
Effect of tax exemption granted to agricultural operations	(16,563)	(12,734)
Income tax expenses	—	—

According to the prevailing tax rules and regulation in the PRC, the Company's subsidiaries engaged in agricultural business are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC.

### 8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The earnings and weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share are as follows:

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
<b>Earnings</b>		
Profit for the period attributable to ordinary equity holders of the Company	65,943	42,514
Less: undistributed earnings attributable to convertible preferred shares	—	(16,077)
Earnings used in the calculation of basic earnings per share	65,943	26,437
Add: undistributed earnings attributable to convertible preferred shares	—	16,077
Earnings used in the calculation of diluted earnings per share	65,943	42,514

## Notes to Interim Condensed Consolidated Financial Statements

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

	Number of shares	
	For the six months ended 30 June	
	2016 (unaudited)	2015 (audited)
	'000	'000
<b>Shares</b>		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,174,053	1,107,800
Dilutive effect on convertible preferred shares	—	673,680
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	2,174,053	1,781,480

### 10. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2016 (unaudited)	2015 (audited)
	RMB'000	RMB'000
<b>COST</b>		
Balance at beginning of the period	1,229,267	810,218
Additions	43,699	156,028
Disposals	(679)	(35)
Balance at end of the period	1,272,287	966,211
<b>ACCUMULATED DEPRECIATION</b>		
Balance at beginning of the period	99,200	59,193
Charge for the period	31,072	18,801
Disposals	(273)	(25)
Balance at end of the period	129,999	77,969
<b>CARRYING AMOUNT</b>	<b>1,142,288</b>	<b>888,242</b>

## Notes to Interim Condensed Consolidated Financial Statements

### 11. BIOLOGICAL ASSETS

During the Reporting Period, the biological assets of the Group are dairy cows held to produce raw milk (i.e. milkable cows, heifers and calves) and cows held for sale. Dairy cows held to produce raw milk are categorised as bearer biological assets and cows held for sale are categorised as consumable biological assets.

#### (A) Quantity of biological assets

The Group's dairy cows include cows held for sale, milkable cows, heifers and calves. Heifers and calves are dairy cows that have not had their first calves. The quantity of cows owned by the Group is shown as follows:

	<b>30 June 2016 (unaudited) Heads</b>	31 December 2015 (audited) Heads
Cows held for sale	<b>65</b>	2,812
Milkable cows	<b>26,406</b>	19,560
Heifers and calves	<b>26,056</b>	25,111
	<b>52,527</b>	47,483

Cows held for sale comprise heifers imported and held in quarantine farms and heifers/calves reproduced by the Group for sale to external customers. Cows held for sale are classified as current assets.

Milkable cows, heifers and calves are dairy cows of the Group for the purpose of production of raw milk and are classified as non-current assets.

In general, the heifers are inseminated when they reached approximately 14 months old. After an approximately 285-day 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 305 days to 340 days before a dry period of approximately 60 days. When a heifer begins to produce raw milk, it is transferred to the category of milkable cows based on the estimated fair value less cost to sell on the date of transfer.

## Notes to Interim Condensed Consolidated Financial Statements

### 11. BIOLOGICAL ASSETS *(continued)*

#### *(B) Value of biological assets*

The amounts of the Group's biological assets are as follows:

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Cows held for sale	<b>1,060</b>	45,586
Milkable cows	<b>822,950</b>	682,840
Heifers and calves	<b>463,390</b>	502,700
Total value of cows	<b>1,287,400</b>	1,231,126
Current portion	<b>1,060</b>	45,586
Non-current portion	<b>1,286,340</b>	1,185,540
	<b>1,287,400</b>	1,231,126

The fair value of the Group's dairy cows as at 30 June 2016 was estimated by using the same valuation techniques as adopted in note 22 to the Group's annual financial statements as at 31 December 2015. As the fair value was determined using significant unobservable inputs, it falls in level 3 of fair value hierarchy.

As at 30 June 2016, the Group pledged its dairy cows of approximately RMB173,500,000 (31 December 2015: RMB375,855,000) to banks to secure certain of the Group's bank borrowings (note 15).

## Notes to Interim Condensed Consolidated Financial Statements

### 12. TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period of 30 days to its customers for sales of raw milk. The Group normally requires prepayments for sales of cows and alfalfa. The aged analysis of the Group's trade receivables presented based on invoice date which approximates to the date on which revenue is recognised as at the end of the Reporting Period is as follows:

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Trade receivables:		
– 0 to 30 days	<b>79,581</b>	44,962
– 31 to 90 days	<b>88</b>	2,111
	<b>79,669</b>	47,073
Other receivables:		
– Advances to suppliers	<b>50,692</b>	14,463
– Amount due from Beijing Urban Construction Engineering Co., Ltd. ("Urban Construction")	<b>59</b>	59
– Amount due from Beijing ZhongDi Meijia Breeding Hogs Co., Ltd. ("ZhongDi Meijia")*	<b>—</b>	838
– Others	<b>3,970</b>	3,269
	<b>134,390</b>	65,702

\* The amount due from ZhongDi Meijia as at 31 December 2015 included a balance of RMB838,000 for sales of feeds to ZhongDi Meijia which was aged within 360 days. The amount had been settled during the Reporting Period.

## Notes to Interim Condensed Consolidated Financial Statements

### 13. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Cash and cash equivalents	<b>210,093</b>	296,380
Time deposits with original maturity of more than three months	<b>153,181</b>	—
Bank balances and cash	<b>363,274</b>	296,380
Pledged bank deposits	<b>21</b>	38,289
	<b>363,295</b>	334,669

Pledged bank deposits, and bank balances and cash of the Group are denominated in the following currencies:

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
RMB	<b>147,064</b>	82,394
USD	<b>207,084</b>	243,525
HKD	<b>9,147</b>	8,750
	<b>363,295</b>	334,669

## Notes to Interim Condensed Consolidated Financial Statements

### 14. TRADE AND OTHER PAYABLES

The credit period granted to the Group for the settlement of trade purchases is within 90 days. The following is an aged analysis of trade payables from invoice date at the end of the Reporting Period:

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Trade payables:		
– 0 to 90 days	<b>96,692</b>	170,256
– 91 to 180 days	<b>36,692</b>	26,340
– Over 181 days	<b>26,696</b>	4,217
	<b>160,080</b>	200,813
Payable for acquisition of items of property, plant and equipment	<b>54,519</b>	85,975
Advance payments from customers	<b>28,414</b>	57,925
Advance payments from agency customers	<b>8,541</b>	4,139
Accrued staff costs	<b>8,279</b>	5,749
Interest payables	<b>2,144</b>	1,513
Deposits	<b>10,291</b>	3,836
Others	<b>36,524</b>	3,328
	<b>308,792</b>	363,278

## Notes to Interim Condensed Consolidated Financial Statements

### 15. BANK BORROWINGS

	Notes	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Unsecured bank borrowings		<b>786,756</b>	773,897
Guaranteed and unsecured bank borrowings	(i)(a)	<b>554</b>	804
Secured bank borrowings	(i)(b)	<b>212,000</b>	45,000
Guaranteed and secured bank borrowings	(i)(c)	<b>50,000</b>	90,000
		<b>1,049,310</b>	909,701
Carrying amount repayable:			
Within one year		<b>835,256</b>	612,397
Between one and two years		<b>164,054</b>	140,304
Between two and five years		<b>50,000</b>	157,000
		<b>1,049,310</b>	909,701
Less: Amounts due within one year shown under current liabilities		<b>( 835,256)</b>	(612,397)
Amounts due after one year		<b>214,054</b>	297,304
The bank borrowings comprise:			
Fixed-rate bank borrowings		<b>483,756</b>	383,897
Variable-rate bank borrowings		<b>565,554</b>	525,804
		<b>1,049,310</b>	909,701

#### Notes:

- (i) (a) As at 30 June 2016, a bank loan of RMB554,000 (31 December 2015: RMB804,000) was guaranteed by Beijing Agriculture Guaranty Co. Ltd., an independent third party;
- (b) As at 30 June 2016, bank loans of RMB212,000,000 (31 December 2015: RMB45,000,000) were secured by time deposits of RMB153,181,000 (31 December 2015: Nil), lease prepayments of RMB1,313,500 (31 December 2015: RMB7,861,000) and dairy cows of RMB73,500,000 (31 December 2015: RMB275,855,000);
- (c) As at 30 June 2016, bank loans of RMB50,000,000 (31 December 2015: RMB90,000,000) were guaranteed by ZhongDi Genetics & Seeds Co., Ltd. ("ZhongDi Seeds"), a related party, and Mr. Zhang Jianshe and secured by dairy cows of the Group of RMB100,000,000 (31 December 2015: RMB100,000,000). Subsequent to 30 June 2016, the Group is in the process of negotiating with the lender to repay the bank loan of RMB50,000,000 and discharging ZhongDi Seeds and Mr. Zhang Jianshe as guarantors.



## Notes to Interim Condensed Consolidated Financial Statements

### 15. BANK BORROWINGS (continued)

Notes: (continued)

- (ii) The effective interest rates of the bank borrowings, which are equal to contracted interest rates during the Reporting Period are as follows:

	<b>30 June 2016 (unaudited) %</b>	31 December 2015 (audited) %
Effective interest rates (per annum):		
Fixed-rate bank borrowings	<b>1.24 - 6.96</b>	2.70 - 6.96
Variable-rate bank borrowings	<b>4.79 - 6.65</b>	4.79 - 7.48

Interest rates of the Group's variable-rate bank borrowings were based on the benchmark interest rates promulgated by the People's Bank of China.

- (iii) During the Reporting Period, the Group obtained new borrowings of RMB465,756,000 and repaid borrowings of RMB326,147,000.

- (iv) The Group's bank borrowings were denominated in the following currencies:

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
USD	<b>72,356</b>	53,897
RMB	<b>976,954</b>	855,804
	<b>1,049,310</b>	909,701

### 16. SHARE CAPITAL

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Authorised:		
5,000,000,000 ordinary shares of USD0.00001 each	<b>306</b>	306
Issued and fully paid		
2,174,078,000 (31 December 2015: 2,172,536,000) ordinary shares of USD0.00001 each	<b>135</b>	135

## Notes to Interim Condensed Consolidated Financial Statements

### 17. CAPITAL COMMITMENTS

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Contracted but not provided for:		
Land and buildings	<b>247,512</b>	318,177
Plant and machinery	<b>28,622</b>	28,818
	<b>276,134</b>	346,995

### 18. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following significant transactions with related parties:

		<b>For the six months ended 30 June</b>	
	Note	<b>2016 (unaudited) RMB'000</b>	2015 (audited) RMB'000
Sales of feeds to:			
– ZhongDi Meijia	(i)	—	2,638
Lease prepayments made to:			
– ZhongDi Grass (Ulanqab) Co., Ltd. (“ZhongDi Grass”)	(i)	<b>772</b>	—
Provision of construction services by:			
– Urban Construction	(i)	<b>19,457</b>	108,285
Rental charges by:			
– ZhongDi Seeds	(i)	<b>1,639</b>	776

Note:

- (i) The transactions were carried out in accordance with the terms and conditions mutually agreed by the contracting parties.

## Notes to Interim Condensed Consolidated Financial Statements

### 18. RELATED PARTY DISCLOSURES *(continued)*

#### *(b) Guaranties provided by related parties*

	Note	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Mr. Zhang Jianshe	(i)	50,000	90,000
ZhongDi Seeds	(i)	50,000	90,000

Note:

- (i) As at 30 June 2016 and 31 December 2015, bank loans of RMB50,000,000 and RMB90,000,000 were jointly guaranteed by ZhongDi Seeds and Mr. Zhang Jianshe and secured by certain dairy cows of the Group as stated in note 15.

#### *(c) Operating lease commitments*

The Group had commitments to make future minimum lease payments to ZhongDi Seeds and ZhongDi Grass in respect of office and land use rights rented under non-cancellable operating leases which fall due as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within one year	2,411	3,278
In the second to fifth year inclusive	3,088	—
	<b>5,499</b>	3,278

#### *(d) Compensation to key management personnel*

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (audited) RMB'000
Salaries, bonus and other benefits	2,848	2,179
Retirement benefit scheme contributions	36	50
	<b>2,884</b>	2,229

## Notes to Interim Condensed Consolidated Financial Statements

### 18. RELATED PARTY DISCLOSURES *(continued)*

#### *(e) Acquisition of an 100% equity interest in Dairy Group:*

During the Reporting Period, the Group acquired an 100% equity interest in Dairy Group from ZhongDi Seeds at nil consideration, which is equal to the net asset amount of Dairy Group at the acquisition date. Dairy Group had not carried out any operation since its incorporation on 21 April 2014.

#### *(f) Balances with related parties:*

	<b>30 June 2016 (unaudited) RMB'000</b>	31 December 2015 (audited) RMB'000
Prepayments for construction services to:		
– Urban Construction	—	6,957
Trade and other payables to:		
– Urban Construction	<b>51,933</b>	79,433
– ZhongDi Seeds	—	95
	<b>51,933</b>	79,528
Trade and other receivables from:		
– Urban Construction	<b>59</b>	59
– ZhongDi Meijia	—	838
	<b>59</b>	897

The above trade and other receivables/payables are unsecured, interest-free and repayable on demand.

## Notes to Interim Condensed Consolidated Financial Statements

### 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

	30 June 2016		31 December 2015	
	Carrying amounts (unaudited) RMB'000	Fair values (unaudited) RMB'000	Carrying amounts (audited) RMB'000	Fair values (audited) RMB'000
<b>Financial liabilities</b>				
Bank borrowings	1,049,310	1,058,982	909,701	919,791

The fair values of the financial assets and liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of bank balances and cash, pledged deposits, financial assets included in trade and other receivables, financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group did not have any financial assets or liabilities measured at fair value for the six months ended 30 June 2016.

The following table illustrated the fair value measurement hierarchy of the Group's financial instruments of which fair value are disclosed:

	Fair value measurement using significant unobservable inputs (Level 3)	
	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
<b>Financial liabilities</b>		
Bank borrowings	1,058,982	919,791

## Notes to Interim Condensed Consolidated Financial Statements

### 20. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 18 August 2016.