



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 年報 2018



连续五年荣获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 Limited (the “**Company**” or “**Modern Dairy**” together with its subsidiaries, the “**Group**”) is currently the largest dairy farming operator and fresh raw milk producer in the People’s Republic of China (the “**PRC**”) in terms of its herd size and milk yield. Modern Dairy operates 26 dairy farms in the PRC with dairy cows over 230,000 heads and annual milk yield over 1.27 million tons. The Company initiated the production mode 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 the PRC that applies integration of forage grass planting, cow breeding and milk processing and qualified with SGS certification. Modern Dairy’s products have been consecutively awarded with the gold prize of Monde Selection, which is generally regarded as the “Nobel Prize” in the food industry.

中國現代牧業控股有限公司(「**本公司**」或「**現代牧業**」) 連同其附屬公司(「**本集團**」) · 按牛群數量及原奶供應量 · 現為中華人民共和國(「**中國**」)最大的乳牛畜牧營運商及最大的原料奶生產商。現代牧業於中國經營26個乳牛牧場 · 擁有超過230,000頭乳牛及每年產奶量超過1.27百萬噸。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並通過SGS認證的企業。現代牧業的產品已連續在素有食品業「諾貝爾獎」之稱的世界食品品質評鑒大會中獲得金獎。



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HIGHLIGHTS

摘要

YEAR ENDED 31 DECEMBER 2018 截至2018年12月31日止年度

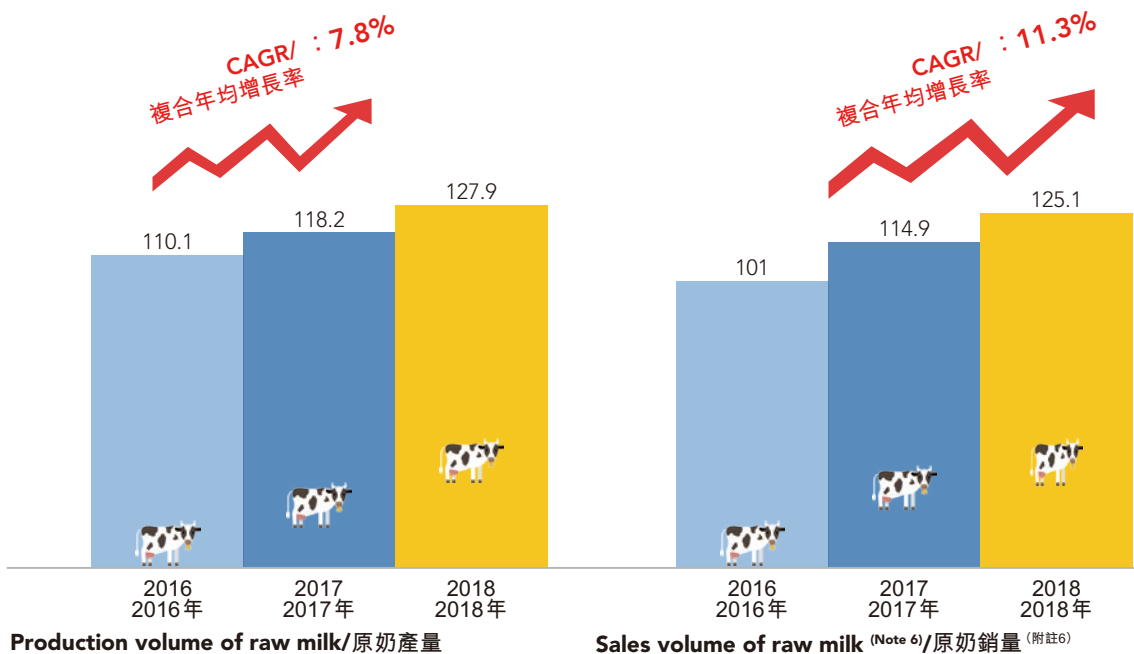
		2018 2018年	2017 2017年	Change 變動
(All amounts in Renminbi (“RMB”) million unless otherwise stated)	(除特別列明外，所有金額以人民幣(「人民幣」)百萬元列示)			
Highlights	摘要			
Revenue	收入	4,956.8	4,783.8	3.6%
Gross profit before raw milk fair value adjustments	原料奶公平值調整前的毛利	1,546.1	1,430.8	8.1%
Operating loss	經營虧損	(167.0)	(666.5)	(74.9%)
Earnings before interest, tax, depreciation and amortization (EBITDA)	息稅折舊攤銷前利潤 (EBITDA)	152.0	(317.7)	147.9%
Cash EBITDA (Note 1)	現金EBITDA (附註1)	1,528.4	1,081.8	41.3%
Loss attributable to owners of the Company	本公司持有人應佔虧損	(496.1)	(975.1)	(49.1%)
Net operating cash inflow (Note 2)	經營現金淨入流量 (附註2)	1,406.0	500.9	180.7%
Free cash flow (Note 5)	自由現金流 (附註5)	344.4	(471.8)	
Basic loss per share (RMB cents) (Note 3)	每股基本虧損 (人民幣分) (附註3)	(8.15)	(16.19)	(49.7%)
Net asset value per share (RMB) (Note 4)	每股資產淨值 (人民幣元) (附註4)	1.08	1.18	(8.5%)
Proposed final dividend	建議末期股息	–	–	–
Dividend payout ratio	股息分派比率	–	–	–
Annual milk yield of milkable cow (tons/head)	成乳牛年產量 (噸/頭)	10.1	9.8	3.1%
Total annual milk yield (tons ‘0,000)	年總產奶量(萬噸)	127.9	118.2	8.2%
Total number of dairy cows (heads)	乳牛總量(頭)	231,530	233,058	(1,528)

- Modern Dairy's pure milk was for the fifth consecutive year awarded the gold prize of Monde Selection. 現代牧業純牛奶連續五年獲世界食品品質評鑒大會金獎。
- The brand of Modern Dairy has been shortlisted as the “Strategic Partner of China's Aerospace Industry”, marking our premium quality branded milk widely recognized by all sectors of the society. 現代牧業品牌成為「中國航天事業戰略合作夥伴」，標誌著公司的高品質品牌奶充分獲得社會各界的廣泛肯定。



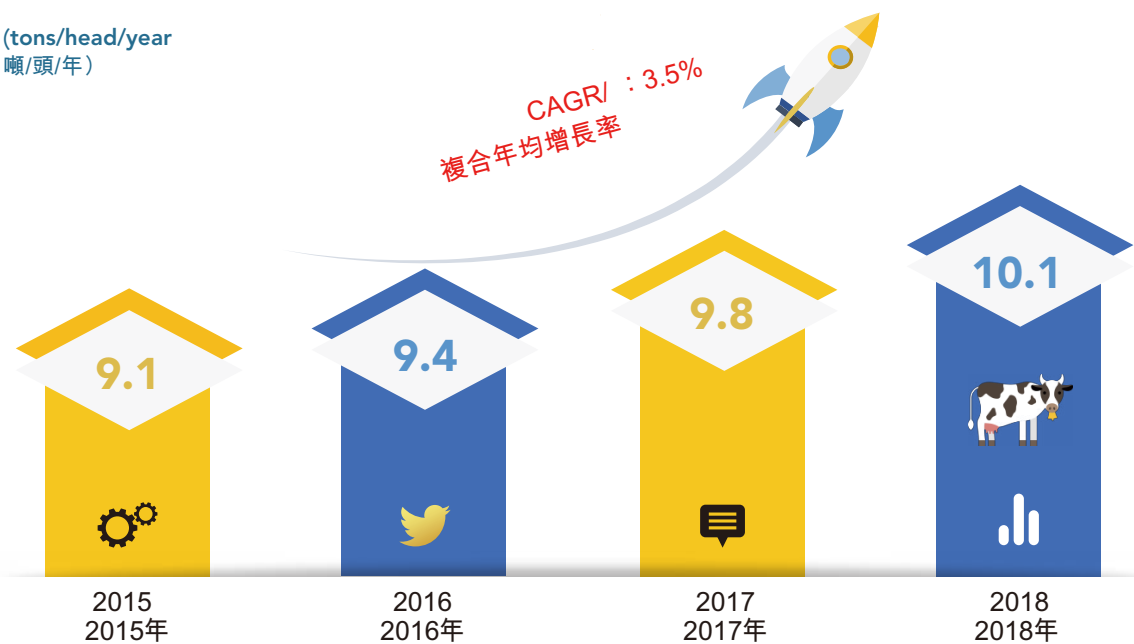
Raw milk production and sales increased steadily
原奶產銷量穩步增長

(tons '0,000/萬噸)



Annual milk yield of milkable cow
成乳牛年單產

(tons/head/year
噸/頭/年)

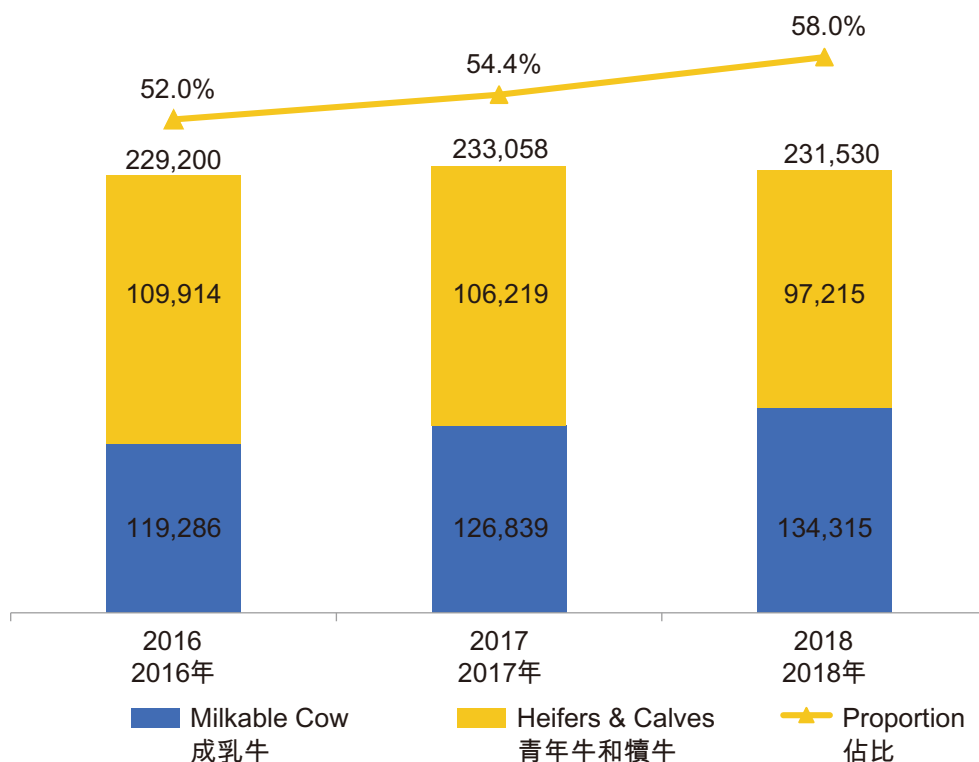


HIGHLIGHTS

摘要

YEAR ENDED 31 DECEMBER 2018 截至2018年12月31日止年度

Herd Size & Proportion of Milkable Cows 奶牛數量及成乳牛佔比



Notes:

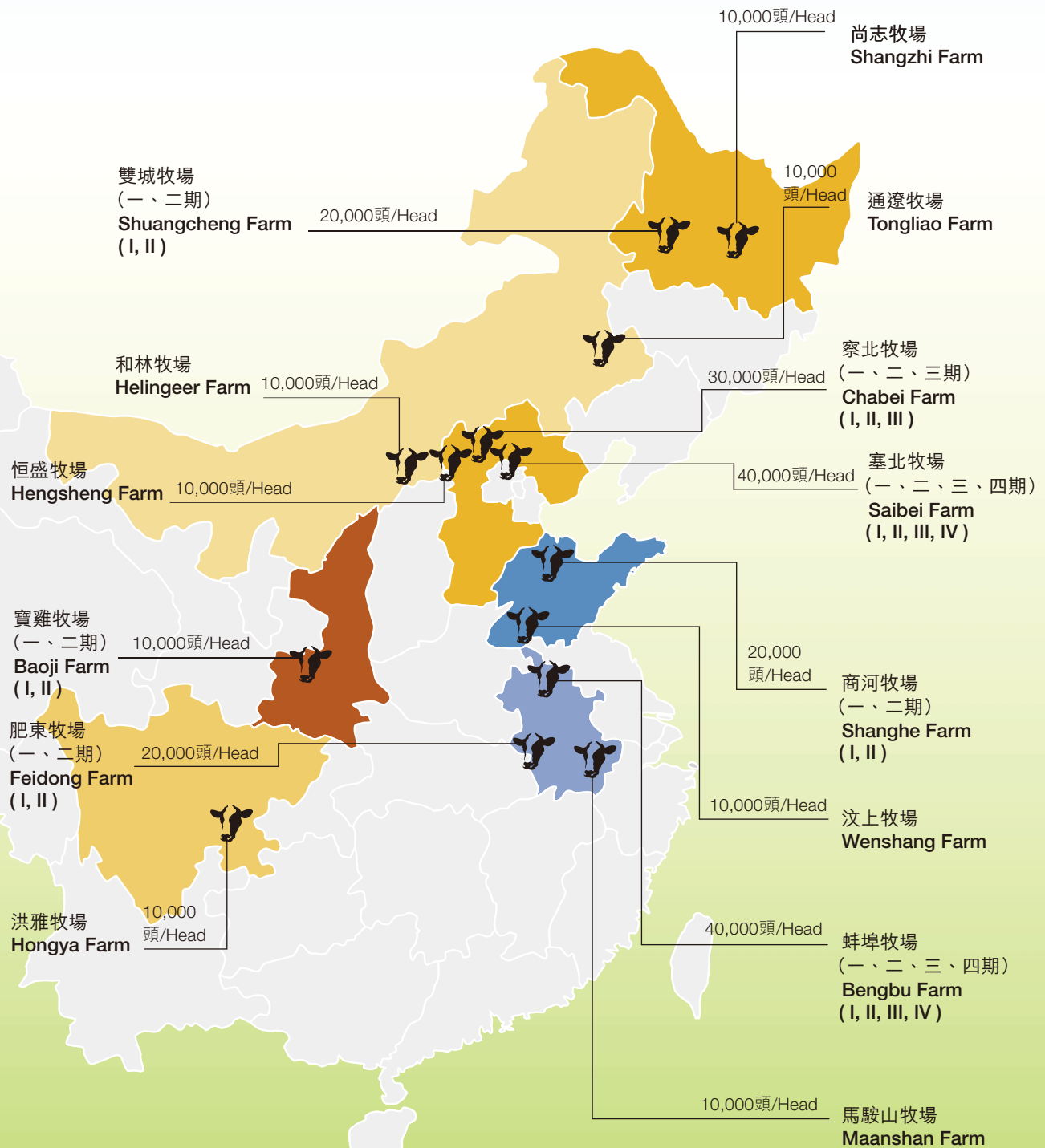
1. Cash EBITDA is defined as loss before finance costs and tax having added back: i) depreciation for property, plant and equipment; ii) amortization; iii) other gains and losses, net; iv) impairment losses, net of reversal; and v) loss arising from changes in fair value less costs to sell of dairy cows.
2. Cash inflow generated from operating activities for the year less cash outflow generated from operating activities for the year.
3. Profit attributable to equity holders of the Company for the year divided by the weighted average number of ordinary shares in issue for the year.
4. Net assets at year end divided by the number of ordinary shares in issue for the year.
5. Free cash flow is defined as net cash from operating activities having added back net cash used in investing activities.
6. Sales include the external sale of raw milk and the consumption of branded milk production.

附註：

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；iv)減值虧損及扣除報回；及v)乳牛公平值變動減乳牛銷售成本產生的虧損。
2. 年內經營活動產生之現金流入減年內經營活動產生之現金流出。
3. 年內本公司股權持有人應佔溢利除以年內已發行普通股之加權平均數。
4. 年末淨資產除以年內已發行普通股股數。
5. 自由現金流定義為經營活動所得現金淨額加回投資活動所用現金淨額。
6. 銷量包含外銷原奶及品牌奶領用。

FARM MAP

牧場位置圖



Approximate number of cows (Head)
乳牛約數量(頭)

"We, the cattlemen, from the very beginning insist on the **"Purity · Genuineness · Freshness · Vitality"** of milk and strive with craftsmanship to deliver nutritious pasture milk to the consumers. It takes only two hours from milking to produce, retaining the outermost active molecules in milk and its freshness."

"我們牧牛人由始至終，堅持為牛奶的「**純·真·鮮·活**」而苦幹；以匠人的心，為消費者呈上更具營養價值的牧場奶。現代牧業的生鮮原奶從擠奶到成品，僅需兩小時，大大保留了牛乳中的活性營養。"

"Modern Dairy is more than just a dairy farming enterprise, we collect silage and other crops from villages nearby each year, which is beneficial to **reducing the feeding cost**, increasing the income of farmers and driving the economic development of the surrounding countryside."

"現代牧業從不只是一家牧業企業，每年我們向牧場附近的村落收購青貯等農作物，既有利於**降低飼料成本**，也提高了農戶的收入，帶動了週邊農村的經濟發展。"





MODERN FARMING
现代牧业



十五年坚持 只做牧场奶



CEO'S STATEMENT

總裁報告書



“Fifteen-year persistence on exclusively producing pasture milk

**十五年堅持
只做好牧場奶”**

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

For Modern Dairy, 2018 was a year of changes and challenges. China's exports and economic growth were concurrently threatened by the ongoing Sino-US trade conflicts, supply side reform and proactive deleveraging by the Chinese government coupled with the depreciation of Renminbi. Soaring feed cost due to extra tariff imposed by US triggered unprecedented challenges to the dairy industry. To cope with such difficulties, Modern Dairy has implemented new strategies to mitigate cost pressure and fortify operation efficiency, and has overcome the hurdles and stepped into a new era.

對於現代牧業而言，2018年是充滿挑戰的變革之年。中國出口以至整體經濟增長因著中美貿易持續磨擦、供給側改革及政府積極去槓桿化，加上人民幣匯兌走弱而受壓。由於美國徵收的額外關稅導致飼料成本飆升，為乳業帶來了前所未有的挑戰。面對重重挑戰，現代牧業實施新戰略，減輕成本壓力，提高運營效率，克服了障礙，進入一個新乳業時代。





On behalf of the Company, I am pleased to present the annual results of Modern Dairy for the year ended 31 December 2018 to our shareholders.

Facing the soaring feed cost and various global headwinds, Modern Dairy was still able to deliver a stable revenue growth and significant increase in operating net cash inflow in 2018. We believe milk price has already bottomed out and bounced in the second half of 2017. Down the road, the milk price is expected to move upward at a moderate pace. As a pioneer in the domestic large-scale dairy farming and the first listed company in the world engaged in dairy farming resources, the Group created the production model of “zero-distance integration of forage grass planting, cow breeding and milk processing within two hours”. The Group’s milk with premium quality reaching world-class dairy standards has won a widespread recognition domestically and internationally. On 27 March 2018, at Monde Selection, which is generally regarded as “Nobel Prize” in food industry, the Group’s pure milk was awarded the gold prize for fifth consecutive years and another three product series, namely the “Fresh” pure milk, two-hour (250ml) milk and two-hour (1L) milk were also awarded the gold prize. The Group together with China Mengniu Dairy Company Ltd. (“Mengniu”, together with its subsidiaries, “Mengniu Group”) introduced two brand new products, the gold pure milk and high-calcium milk, evolving a surprise to the consumers.

本人代表本公司向各位股東呈報現代牧業截至2018年12月31日止年度的全年業績。

面對飼料成上漲和全球經濟備受考驗的背景，現代牧業於2018年仍然能取得穩定的收入增長和顯著經營淨現金流入增長。我們認為牛奶價格已經觸底並在2017年下半年反彈。未來，牛奶價格預計將以溫和的速度上調。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，現代牧業的牛奶品質比肩世界一流乳品標準，獲得國內外的廣泛認可。2018年3月27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五年榮獲大會金獎，其他3支參評產品鮮語純牛奶、2小時(250ml裝)牛奶、2小時(1L裝)牛奶均榮獲金獎。本集團與中國蒙牛乳業有限公司(「蒙牛」)連同其子公司統稱「蒙牛集團」通力協作，兩款新產品金獎純牛奶、高鈣奶陸續上市，為消費者帶來新驚喜。

CEO'S STATEMENT 總裁報告書

Since Mengniu increased its stake to 60.76% of the issued share capital of the Company in 2017, we have achieved significant synergies in several aspects after a year of running-in. The Group dynamically adjusted the milk supply according to the season pattern so as to better cope with the demand from Mengniu. Strengthening the collaboration with Mengniu and riding on its solid sales channels will not only secure the Group with a stable income but also helps to deliver our branded milk of "purity, genuineness, freshness and vitality" to numerous consumers. In early 2019, the Group started a new high value-added business line by entering into a milk supply cooperation agreement with Yashili to provide diversified high-end raw milk.

In year 2018, the Chinese government successively introduced a number of policies to strengthen the support and guidance for the dairy industry. In early 2018, the first draft of the consultation paper on the four new national standards for raw milk, pasteurized milk, sterilized milk and reconstituted milk was officially released for public comments. In May, premier Li Keqiang presided over an executive meeting of the State Council to consider the revitalization of the dairy industry. In June, the State Council released the "Opinions on Promoting the Revitalization of the Dairy Industry to Ensure the Quality and Safety of Dairy Products". In December, the "Opinions on the Promoting the Revitalization of the Dairy Industry" jointly issued by nine ministries emphasized the increasing support of farming in large-scale to promote the revitalization of the dairy industry. As the largest dairy farming company and the largest producer of raw milk in China (in terms of herd size), 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 production chain. Through the pioneering green economic and ecological model of zero-distance integration of forage grass planting, cow breeding and milk processing within two hours, 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 leveraging on the historic opportunity arising from the dairy industry's transformation.

自蒙牛於2017年增持本公司達已發行股本60.76%後，經過年多的磨合，於多方面已取得顯著協同效益。本集團依據淡旺季規律動態式調節供奶量，以精確匹配蒙牛的需求。蒙牛加強合作既能保障本集團原奶輸出的穩定性，也可借助蒙牛完善的銷售網路將本集團「純、真、鮮、活」的品牌奶送到更多的消費者。2019年初本集團與雅士利簽訂供奶合作協定，提供多元化的高端原奶，開拓了一條新的高附加值業務。

於2018年，中國政府陸續出台多項政策加強對奶業的扶持及引導。2018年初，生乳、巴氏殺菌乳、滅菌乳和復原乳鑒定4個新國標第一次討論稿發佈，正式徵求意見。5月，李克強總理主持召開國務院常務會議，研究奶業振興事項。6月，國務院發佈《關於推進奶業振興保障乳品質量安全的意見》。12月，九部委聯合印發《關於進一步促進奶業振興的若干意見》，強調加大對規模養殖支援，促進奶業振興。作為中國最大的乳牛畜牧公司及最大的原料奶生產商(按畜群規模計算)，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。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。

PROSPECTS

While the lingering Sino-US trade tension, the nationwide deleveraging situation, the uncertain foreign exchange movement and the import of milk powder will possibly impede the milk prices and industry profitability in China. Nevertheless, we observe quite a lot of positive catalysts, like preferential policies, quality-driven type of consumption, tax cut and upgrade of dairy farming technology, research and consolidation of dairy operators, that will boost the milk prices, the milk consumption in China and ultimately lead to a healthy development in the dairy industry. In the long run, we are optimistic and do see promising growth opportunities in dairy industry.

Stepping into 2019, the supply and demand of raw milk is reaching equilibrium in China, and the price of raw milk continues to pick up. The Group's profitability which was once affected by the decline in raw milk price in the past few years would be significantly improved. The Group will continue as usual to build a world class and most sophisticated farms, produce the best quality milk and focus our devotion, profession and endeavour into the development of China's dairy industry, so as to provide the most nutritious milk for consumers.

The Group will resolutely adhere to the basic principle of quality first and continue to promote scientific breeding and feeding technologies proactively. We strive to increase milk yield and quality, enhance brand competitiveness, continue to leverage on our own milk resources and advanced management advantages. Modern Dairy could take the lead in transformation and upgrade in dairy industry, and achieve product branding from manufacturing to creation, so as to maximize the value for shareholders, customers and partners and produce the most nutritious raw milk for consumers.

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

前景

儘管中美貿易摩擦持續發酵、中國的去槓桿化局勢、匯率走勢不確定和大包粉進口均可能阻礙奶價及奶業的盈利能力。然而，我們觀察到頗多正面催化因素，如優惠政策、品質驅動型的消費、減稅和奶農技術升級和研發以及奶業運營商的整合，這將有利於提高奶價及奶品消費量，最終引領行業健康發展。從中長期來看，我們樂觀並確實看到乳製品行業有巨大的增長機會。

進入2019年，中國原奶供需關係漸趨平衡，原奶價格繼續回升，過去幾年由於原奶價格下行而影響本集團利潤的情況將得到顯著改善。本集團將一如既往地堅持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。

本集團將堅決執行品質至上的基本準則，繼續積極研發及推廣科學養殖及餵飼技術。我們會致力提高產奶量及品質，增強品牌競爭力，繼續發揮自有奶源和先進管理優勢。現代牧業可引領奶業之轉型升級，實現產品品牌化、從製造到創造，為股東、為客戶、為合作夥伴創造最大價值，為消費者製造最富營養價值的原奶。

致謝

藉此機會，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，對各位股東、客戶和商業夥伴的信任和 support 深表感激。



PRODUCTS OF THE COMPANY

公司產品介紹

Fresh Raw Milk

生鮮原奶

We operate a total of 26 dairy farms with 231,530 dairy cows in total across seven provinces in mainland China. Each milkable cow on average can produce 10.1 tons of fresh pasture milk each year.

我們在中國內地七個省區營運26個牧場，飼養共231,530頭乳牛，每頭成乳牛平均每年產出達10.1噸生鮮牧場奶。



Gold Pure Milk

金獎純牛奶

Self-owned dairy farms, high quality of the milk sources, two-hour milking to processing, with the gold prize for five consecutive years at Monde Selection, pure milk has launched with new image.

自家牧場，優質奶源，從擠奶到加工兩小時完成，連續五年榮獲世界食品品質評鑒大會金獎的純牛奶以全新形象上市。



煥然一新

金奖品质“礼”应如此



High Calcium Milk 高钙牛奶

High in calcium from good dairy farms, Modern Dairy High Calcium Milk has 125 mg calcium for each 100 ml, vitamin D is specially added to facilitate calcium absorption, the milk is nutritious, pure and rich in taste.

高钙原自好牧场，现代牧业高钙奶每100ml含钙125mg，特别添加维生素D，促进钙的吸收，营养丰富，纯正香浓。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

The Board of Directors (the “**Board**”) of China Modern Dairy Holdings Limited (“**Modern Dairy**” or the “**Company**”) is pleased to present the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 (the “**Reporting Year**”).

INDUSTRY OVERVIEW:

In 2018, the emerge of international protectionism and unilateralism imposed uncertainties to the global political and economic equilibrium. In China, the supply-side reforms and Sino-US trade war post uncertainties to the farming industry. Nevertheless, the Chinese gross domestic product remained stable with a moderate growth rate of 6.6%.

With the intensified Sino-US trade tension, US imposed 25% tariffs on certain types of export goods from China, including alfalfa and soybeans. Additionally, the corn supply-side reform, the shrinkage corn planting land driving corn price rising locally, has exerted further pressure on the operation cost of farming industry in mainland China.

Domestic milk prices have gone through a few years of downturn, small and medium farmers have gradually withdrew from the market, and the dairy farming herd size dropped correspondingly. According to the National Bureau of Statistics of China, the domestic raw milk production and the number of dairy cows had been decreasing in the past three years. As affected by the cumulative effects of supply adjustment and consumption peak season, domestic raw milk prices began to pick up in the autumn of 2018, bringing positive momentum to upstream farming enterprises. At the end of 2018, the Company’s external raw milk selling price has reached approximately RMB4 per kg. The upstream dairy farming is on track of recovery.

中國現代牧業控股有限公司(「現代牧業」或「本公司」)之董事會(「董事會」)欣然提呈本公司及其附屬公司(「本集團」)截至二零一八年十二月三十一日止年度(「本匯報年度」)之經審核年度業績。

行業概覽：

2018年，國際保護主義和單邊主義冒起，為國際政治經濟平衡帶來新變數。在中國，供給側改革及中美貿易摩擦為養殖業增加了不確定性，然而中國國內生產總值仍增速穩定，維持在6.6%。

隨著中美貿易拉鋸升級，美國對華出口特定貨物加徵25%關稅，其中包括苜蓿及大豆，加上國內玉米供給側改革，玉米可種植地減少使玉米價格上漲，兩者對國內養殖業成本帶來壓力。

國內奶價經過幾年的低迷期，中小養殖戶陸續退出市場，奶牛養殖的存欄量相應下降。根據中國國家統計局數據，近三年國內原奶產量及存欄牛頭數逐年遞減。國內受供給調整和消費旺季的疊加影響，2018年秋季原奶價格開始回升，為上游養殖企業帶來利好勢頭，到2018年末，本公司的對外原奶售價已回升近每公斤人民幣4元，上游養殖企業開始出現曙光。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

In 2018, China introduced several policies to reinvigorate consumer confidence and promote development of dairy enterprises: In February 2018, the first draft of the consultation paper on the four new national standards for raw milk, pasteurized milk, sterilized milk and reconstituted milk was officially released for industry comments. The draft of the consultation paper of raw milk grading mechanism, clearer guidelines for milk processing procedures and the guidance on milk product packaging and labelling were promoted. The measures were conducive to enhancing the confidence for consumers, thereby boosting the consumption of domestic fresh milk. The “Opinions of the General Office of the State Council on Promoting the Revitalization of the Dairy Industry to Ensure the Quality and Safety of Dairy Products” released in May positioned the dairy industry as an indispensable industry for cultivating a healthy China and a strong nation. It reaffirmed complementary interests and a win-win situation amongst dairy enterprises. It also strived to enhance the standard of milk quality, establishment of a raw milk grading mechanism and quality assurance with premium pricing. The central government of China aims at maintaining over 65% of dairy farms to have a herd size of over 100 dairy cows in order to retain the raw milk self-supply rate of over 70% by 2020, with the expectation of full revitalization of the dairy industry by 2025. In December, the “Opinions on the Promoting the Revitalization of the Dairy Industry” jointly issued by nine ministries further enhanced the support for the operators of farming industry in large-scale to promote the healthy development of dairy industry.

The year 2018, marks the tenth anniversary since the melamine incident in 2008. During the decade, the dairy farming industry has undergone an overwhelming transformation in the areas of technological advancement, industrial upgrading and supportive national wide policies. Both the quality and quantity of the dairy industry has significantly improved, and become a massively large-scale and compliant industry chain with stable product quality under stringent regulations and quality standards.

2018年，國家推出多項政策重振消費者信心，促進奶業發展：2018年2月，生乳、巴氏殺菌乳、滅菌乳和復原乳鑒定四個新國標第一次發佈討論稿，正式徵求業界意見。討論稿主張生乳分級、明確加工工藝規範及奶產品包裝標識等，舉措有利增強消費者對國產奶的信心、提升國內鮮奶的消耗量。5月，《國務院辦公廳關於推進奶業振興保障乳品質量安全的意見》發佈，將乳業定位為健康中國、強壯民族不可或缺的產業。重申乳企間利益聯結、共享共贏，強化標準規範，建立生鮮乳質量分級體系，引導優質優價，力爭2020年100頭牛以上規模養殖牧場比重達65%以上，原奶自給率保持在70%以上，預期2025年奶業實現全面振興。12月，九部委聯合發佈《關於進一步促進奶業振興的若干意見》，進一步加大對規模養殖業經營者的支持，務使促進奶業健康發展。

自2008年到2018年，是三聚氰胺事件十週年。10年間，中國奶業在技術改造、產業升級、國家政策扶持等多重利好因素下，質與量都有明顯提升。中國奶業現已蛻變為一個符合嚴格法規和質量標準、產品質量穩定的龐大產業鏈。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

BUSINESS REVIEW

Despite the soaring raw material cost, foreign exchange pressure and the effect of supply-side reform in China, the dairy industry was on the track of recovery, and we were able to deliver a satisfactory financial results in the Reporting Year, with total revenue up by 3.6% to RMB4,956.8 million, cash EBITDA increased by 41.3% to RMB1,528.4 million and net operating cash inflow escalated by 180.7% to RMB1,406.0 million, as compared to 2017. This is the result of a series of actions taken by the management team. Firstly, we have scrutinized our feed cost structure thoroughly and relentlessly implemented the cost-saving strategies across 26 farms. Secondly, we maximized the synergies effect with Mengniu Group in the areas of purchase, sales network and financing. Thirdly, we facilitated the launch of new products through associate factories with Mengniu. Fourthly, we lowered our financial gearing by proceeds from disposal of idle asset. Fifthly, we have invested over RMB88 million to tackle the heat stress and as a result, the habitat for the herds has been improved and hence uplifted the milk yield. Yet, Modern Dairy never makes any concession to the quality and safety of milk products as they are lives of our business.

Leveraging on the world's first model of "integration of forage planting, dairy farming and milk processing", the Group has become the largest dairy farming enterprise, high quality raw milk provider and dairy processing manufacturer in China.

業務回顧

儘管在原材料成本上升、匯兌壓力以及中國供給側改革的背景下，奶業仍在復甦之中，我們亦能在匯報年度取得令人滿意的財務業績，總收入增加3.6%至人民幣4,956.8百萬元，現金EBITDA增加41.3%至人民幣1,528.4百萬元，經營現金流入淨額較2017年增加180.7%至人民幣1,406.0百萬元。此乃管理團隊採取一系列行動的結果。第一，我們檢視我們的飼料成本結構，並在26個牧場嚴謹實施成本節約策略。第二，我們與蒙牛集團在採購、銷售網絡及融資方面的協同效應最大化。第三，我們通過與蒙牛的聯營工廠合作推出的新產品。第四，我們通過出售閒置資產所得降低財務槓桿。第五，我們投資超過人民幣8,800萬元應對熱應激改善了牛群的舒適度及提昇了牛隻的單產。然而，現代牧業從未對奶製品的質量及安全作出任何讓步，因為這是我們業務的生命。

依託全球首創的「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。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Adhering to the breeding and production model with economy of scale, modernization and standardisation, the Group strives to meet the booming demand of milk from consumers, to enhance food safety, epidemic prevention and environmental production, and to produce dairy products with quality competitive to international standards. Riding on the Group's milk sources with premium quality and well-established sales network from Mengniu, the Group's associate factories commenced operation in the second quarter of 2018, which is expected to further strengthen the branded liquid milk business.

In 2018, the Group has enhanced its performance by reducing operating costs and improving efficiency. On the income aspect, the Group built a core herd of cows and raised the proportions milkable cows to increase operating income. On the cost aspect, although the Sino-US trade friction has led to an increase in domestic and international feed prices, the Group insisted on improving the health and milk yield of each milkable cow, increasing the use of silage and tightening cost control measures.

During the Reporting Year, the Group has entered into a letter of intent on cooperation framework of the agricultural environmental protection project with CITIC Environment and CITIC Agri Fund, integrated the energy assets and improved the efficiency of asset utilization. In addition, the Group has sold the idle assets from downstream production factory to Mengniu.

The Group will focus on its upstream business, consolidate resources and enhance financial position and liquidity.

OPERATIONAL PERFORMANCE:

For the Reporting Year, the Group has achieved significant improvement in major operating targets. The external average selling price ("ASP") of raw milk stood at RMB3.85/kg (2017: RMB3.83/kg), representing an annual growth of 0.52%. The annual milk yield ("AMY") per head of milkable cow increased by 3.1% to 10.1 tons compared to 2017. With the uplift of milk yield and the increase of proportion of milkable cows to the total number of dairy cows, the total annual milk production hit 1.28 million tons (2017: 1.18 million tons), representing year-on-year growth of 8.20%. In 2018, the Group has achieved 14.49% sales growth year-on-year of raw milk up to RMB4.716 billion (2017: RMB4.119 billion). Benefiting from an increase in ASP of raw milk and higher milk yield, the gross profit margin (before raw milk fair value adjustment) of the dairy farming business increased by 0.36 percentage points ("ppt") to 31.46% in 2018 year-on-year.

本集團遵循規模化、現代化、標準化的養殖和生產模式，致力於滿足消費者對牛奶的日益增長需求，提升食品安全、防疫與環境保護，生產媲美國際標準的乳製品。憑藉本集團優質奶源及配合蒙牛強大完善的銷售網絡，聯營工廠於2018年度第二季度正式運作，將有望進一步強化品牌奶業務。

2018年，本集團圍繞降本增效提升公司效益。在收入端，建立核心牛群，提高成乳牛佔比增加運營收入。在成本端，雖然中美貿易摩擦導致國內外飼料價格上升，本集團堅持提升牛隻健康及單產、提高青貯使用量，控制公斤奶成本。

於本匯報年度，與中信環境、中信農業產業基金簽署農業環保專案合作框架意向書，整合能源資產，提升資產利用效率，此外，向蒙牛出售集團下游生產的閒置資產。

本集團繼續深耕上游業務，整合資源，增強財務能力及流動性。

經營表現：

於本匯報年度，本集團於主要營運目標均錄得明顯提升。原料奶外部平均銷售單價為人民幣3.85元／公斤(2017年：人民幣3.83元／公斤)，年增長0.52%。每頭成乳牛年產量較2017年增加3.1%至10.1噸。隨著產奶量及成乳牛佔乳牛總額比例的提高，年總產奶量達128萬噸(2017年：118萬噸)，同比上升8.20%。2018年，本集團的原料奶銷售高達人民幣47.16億元(2017年：人民幣41.19億元)，同比上升14.49%。得益於原料奶平均售價(「平均售價」)上漲及奶產量提升，2018年乳牛養殖業務毛利率(於原料奶公平值調整前)同比增加0.36個百分點高達31.46%。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

The Group still successfully kept the unit cost of one kilogram (unit cost/kg) of raw milk at RMB2.45/kg, even though the feed prices had significantly increased, globally and domestically as a result of the Sino-US trade war. This was the results achieved by continuous improvement in the health of cows and increase in the using of silage as feed. Out of which, the feed cost amounted to RMB1.89/kg, same as 2017. In order to integrate the surrounding resources to cope with the demand from each farm, the Group specifically has established a forage department with a strong procurement team. The Company also consolidated and streamlined procurement process so as to reduce purchasing costs. Additionally, the Company also increased the use of silage feed and adjusted the feed mix so as to secure the health and comfort of dairy cows.

During the Reporting Year, the Company dedicated to the objectives of "production maximization, costs mitigation, and stopping losses". The Company has lowered operating costs through improving the formula, adjusting the feed mix, broadening sources of income and adopting disciplined expenditure. Through the modern management, the Company has optimized the herd-size structure, raised unit production for each milkable cow.

For the Reporting Year, the Group has achieved significant improvement in main operating indices.

雖然中美貿易戰導致國內外飼料價格大幅上升，但通過持續提升牛隻健康和提高青貯作為飼料的使用量，本集團成功將公斤奶成本控制在人民幣2.45元/公斤，其中飼料成本人民幣1.89元/公斤，與2017年基本持平。本公司專門成立了粗飼料部並具備完整採購人員，以各牧場需求為導向，整合牧場周邊粗飼料來源。本公司加強和簡化採購過程，以降低購買成本。此外，本公司亦增加青貯飼料使用量，調整飼料結構，以保障乳牛健康及生活舒適度。

於本匯報年度，本公司以「增產、降本、止損」為目標，通過優化配方、調整飼料結構、開源節流降低成本；另外透過現代化管理、優化牛群結構、提高單產。

於本匯報年度，各項主要營運指標均錄得明顯提升。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

The ASP of external sales of raw milk stood at RMB3.85/kg (2017: RMB3.83/kg), representing a growth of 0.52% year-on-year. The AMY per head of milkable cow increased by 3.1% to 10.1 tons. With the increase in unit of production output and the proportion of milkable cows, the total milk yield amounted to 1.279 million tons (2017: 1.182 million tons), representing a growth of 8.20% year-on-year. In 2018, the revenue from sale of raw milk of the Group amounted to RMB4.716 billion (2017: RMB4.119 billion), representing an increase of 14.49% year-on-year. Benefiting from an increase in ASP of raw milk and higher milk yield, the gross profit margin of the dairy farming business increased by 0.36 ppt to 31.46% in 2018 year-on-year.

For unit cost of milk (“UCM”) production, even though, the feed prices have increased, globally and domestically, as a result of the Sino-US trade war, the Group’s UCM was successfully kept at RMB2.45/kg. This was the results achieved by continuous improvement in the health of cows and increase in the using of silage as feed. Out of which, the feed cost amounted to RMB1.89/kg, same as 2017.

原奶外部平均銷售單價人民幣為3.85元／公斤(2017年：人民幣3.83元／公斤)，同比增幅達0.52%。每頭奶牛產量同比增加3.1%至10.1噸。隨著單產及成乳牛佔比的提高，產奶量達127.9萬噸(2017年：118.2萬噸)，同比上升8.20%。2018年，原奶銷售收入達人民幣47.16億元(2017年：41.19億元)，同比上升14.49%。得益於原奶平均售價上漲及單產提升，本集團2018年奶牛養殖業務毛利率同比增加0.36個百分點達到31.46%。

公斤奶成本方面(「UCM」)，雖然中美貿易戰導致國內外飼料價格上升，但通過提升牛隻健康、提高青貯作為飼料的使用量，UCM成功地控制在人民幣2.45元／公斤，其中飼料成本人民幣1.89元／公斤，與去年基本持平。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

DAIRY FARMS

As at 31 December 2018, the Group operated a total of 26 dairy farms (within herd size each close to or over 10,000 dairy cows) with 231,530 dairy cows (2017: 233,058 heads) spread across seven provinces in mainland China. The proportion of milkable cows to the total number of dairy cows increased by 3.61 ppts to 58.01% (2017: 54.40%). Total external sales volume of raw milk amounted to 1,225,441 tons (2017: 1,075,538 tons) contributing to the production of high-end milk among the downstream dairy enterprises. Leveraging on the world's first model of "integration of forage planting, dairy farming and milk processing", Modern Dairy has become the largest leading dairy farming company and the largest producer of raw fresh milk in mainland China in terms of the herd scale and volume of annual production. As a nationwide farm, we are endowed with unique geographical advantages that our farms are mostly located in regions with fine climate, ample supply of feed, and in the proximity of various processing plants of dairy products.

牧場概況

於2018年12月31日，本集團在中國內地七個省區營運26個萬頭級牧場，飼養共231,530頭乳牛(2017年：233,058頭)。成乳牛佔乳牛總數比例增加3.61個百分點至58.01%(2017年：54.40%)。原料奶總外部銷量為1,225,441噸(2017年：1,075,538噸)，供應下游乳品企業高端奶的生產。依託全球首創的「牧草種植、奶牛養殖、牛奶加工一體化」模式，就畜群規模和產量來說，現代牧業成為現在中國內地最大的龍頭乳牛畜牧公司及最大的新鮮原料奶生產商。作為全國性牧場，我們具備得天獨厚的地理優勢。牧場多處於優良氣候和及具備充足飼料供應的區域，臨近多個乳品加工廠。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Herd Scale

畜群規模

		As at 31 December 2018 於2018年 12月31日 Head 頭	As at 31 December 2017 於2017年 12月31日 Head 頭
Dairy cows	乳牛		
Milkable cows	成乳牛	134,315	126,839
Heifers and calves	小母牛及小牛	97,215	106,219
Total number of dairy cows	乳牛總計	231,530	233,058

The Company's financial performance is highly correlated with market prices of raw milk and also affected by the milk yield of each milkable cow. In general, when milk prices increase, the Company's profitability will increase correspondingly under normal operation condition. When milk yield improves, the UCM will decrease relatively. Yet, milk yield is affected by a number of factors, including the number of lactation, breed, comfort level, genetics and feed mix. Nevertheless, the Company has continuously been conducting research on each factor, inviting foreign cow experts to regularly station and give guidance at the farms, and, through exchange amongst industry experts and staff training, improving milk yield and cow health.

本公司的財務表現與市場奶價呈高相關性，亦受每頭成乳牛的產奶量影響。一般而言，在正常營運下，當奶價上升，本公司的盈利能力亦會同時增加；當產奶量提高，原料奶的單位成本便會相對減少。然而，產奶量亦受多項因素所影響，其中包括奶牛的泌乳次數、品種、生活舒適程度、基因及飼料結構等。然而，本公司對每項因素亦不斷進行研究，邀請外國牛隻專家定期駐牧場指導，透過行內專家相互交流，培訓人才等方式，提升產奶量及牛隻健康。

Milk Yield

During the Reporting Year, we recorded annual milk yield of 10.1 tons per milkable cow (2017: 9.8 tons), up by 3.06% year-on-year. Such results are attributable to effective herd management, genetic improvement by over generations and generations, and increase in the number of cows reaching peak stage of lactation. The total AMY of the Group grew 8.2% to 1.28 million tons (2017: 1.18 million tons).

產奶量

於本匯報年度，我們錄得每頭成乳牛的年產奶量為10.1噸(2017年：9.8噸)，同比增加3.06%。該結果是由有效的畜群管理、一代代改善乳牛基因以及更多奶牛達泌乳高峰期所致。集團年總產奶量達128萬噸(2017年：118萬噸)，同比增加8.2%。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

OPERATION STRATEGIES

Improve unit production output and raw milk quality by scientific breeding and feeding techniques

We keep improving our operation efficiency and average AMY. At present, our average AMY per milkable cow is among the highest of all dairy companies in the mainland China. We believe that both the unit production and quality of raw milk of our milkable cows will continue to rise as we keep improving the genetic mix of herd across generations, and increase the proportion of milkable cows to total herd size. In addition, we are committed to continuous research so as to alleviate 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.

Enhance feed nutrients and optimize the feed mix

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

Heat Stress Alleviation Measures

Heat stress as a result of high temperature in summer has become a seasonal problem for milkable cows. The yield of each milkable cow is generally slightly reduced to the impact caused by heat stress. To minimize the impact, the Group has implemented alleviation plans. In the Reporting Year, the Group deployed over RMB88 million on modification of cowshed, and equipped cowshed with efficient ventilation system, such as powerful fans. After the implementation of the plan, there were obvious improvement in the milk yield per cow. The Company will keep close monitor to the effect of heat stress and upgrade the facilities in barns and enhance the health of each dairy cow.

Quality Management

The overall execution of the quality management of Modern Dairy is based on the principle of "Four Don't": don't cooperate with unqualified suppliers, don't stock unqualified raw feed materials, don't feed unqualified inventory of raw feed materials, don't release raw milk from farms that fail inspection.

營運策略

科學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內地屬較高水準。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。

改善奶牛的飼料營養及優化飼料組合

我們繼續與當地農戶和農業研究機構合作研究，種植適合我們乳牛的優質飼料。此外，根據我們的牧場位置，我們與特定地區的當地農戶合作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。

緩解熱應激措施

由於夏季高溫所帶來的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，本集團已採取緩解計劃。於本年度，本集團投入人民幣8,800多萬元改造牛舍，以及引進高效通風系統設備裝備牛舍，如強力的風扇，以緩解熱應激。方案實施後，每頭奶牛產奶量有明顯改善。本公司將繼續密切監視有關熱應激問題，升級牛舍設施，加強每頭奶牛的健康水平。

質量管理

現代牧業質量控制整體執行「四不」原則：不合格的供應商不合作、到場不合格的原料不入場、庫存不合格的原飼料不投餵、檢測不合格的原奶不出場。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

For the quality control of raw feed materials, the Group ensures the source control by inspecting suppliers on-site and establishing a database of suppliers; ensures feed arrival control by having a stricter standard of testing than that of the national standard; ensures the process control by sampling the inventory of raw feed materials and control indicators on daily basis; ensures that the feeds in cows' mouth are of the right mix consistent with the relevant formula by conducting real-time sampling during the production process with reference to formula data at close to infrared calibration. For the process control, Modern Dairy establishes a process-oriented quality management system, establishes CCP point on key production stages, and set process food safety indicators for monitoring, and timely rectify and track the potential risks discovered. For the delivery quality control, Modern Dairy has 18 quality inspections and controls on raw milk delivering, 24 daily inspections and controls, 98 third party inspections and controls to comprehensively control the quality of raw milk. For the whole chain quality tracking system, the quality information platform is traced by quick response code, to achieve the traceability of whole chain quality information for stocking up arriving raw feed materials, delivering and feeding, milking on the milking parlor and delivering raw milk.

The safe and high quality milk of Modern Dairy is ensured by source control, process monitoring and terminal control.

Herd Management

Modern Dairy adopts the means of lean management in managing herd, values scientific breeding and precise formula. With the innovation of a comprehensive herd management system, the Group overcomes the "information isolation" of farms, establishes an efficient information collection system, improves the system integration of cows from individual, breeding, feeding, health to milk-producing module. All barns of farms are covered of wireless communication, the information of herd can be inquired and undated anytime and anywhere through the handset equipment and APP; by using the low frequency scanners, which show timely and accurate reminders of cow breeding process, to raise the conception rate to cows, simplify and improve cow breeding; with pedometers and yield sensors (ie. low frequency ear tags), which record and analyze milk yield of cows automatically, to identify and alert diseases among cows in advance. The comprehensive utilization of advanced data analysis systems enables us to achieve scientific decision-making, improve the level of production management, and achieve sustainable consolidated profitability. Regard "high standard, high positioning and high starting point" as the principles, the Group achieves the objectives of "increase unit production output, reduce operation cost, optimize herd structure" in herd breeding.

在原飼料質量控制方面，通過供應商現場審核、建立供應商名單庫確保源頭控制；通過到場原料檢測標準嚴於國標確保到場控制；通過每日對庫存原料抽檢、指標監控確保過程控制；通過使用近紅外精準提供配方參考數據、生產過程中實時抽檢，確保牛口中的飼料與配方一致。在過程質量控制方面，現代牧業建立以過程為導向的質量管理體系，在關鍵生產環節建立CCP點，並設置過程食品安全指標進行監控，針對發現的潛在風險及時整改、跟蹤。在出場質量控制方面，設有原奶出場檢測監控18項、日常檢測監控24項、第三方檢測監控98項，全面控制原奶質量。在全鏈條質量追溯系統方面，質量信息化平台通過二維碼識別，實現飼料到場入庫、出庫飼餵、奶牛上廳擠奶、原奶出場的全鏈條質量信息可追溯。

以源頭控制、過程監控、終端把控，保障現代牧業安全放心高質好奶。

牛群管理

現代牧業在牛群管理上通過精益管理手段，注重科學飼養、精準配方。創新通過全面的牛群管理系統，打破牧場「信息孤島」，建立高效的信息採集體系，完善牛隻從個體、繁殖、飼餵、健康到產奶模塊的系統性集成。牧場實現所有牛舍無線覆蓋，通過手持設備和APP隨時隨地查詢並更新牛群信息；利用低頻掃描棒及時準確提示牛隻繁育進程，提高牛隻受孕率，簡化和提升繁育工作；通過計步器和基於低頻耳標的測產設備，自動記錄並分析牛隻的產奶情況，提前識別和預警牛隻疾病。綜合運用先進的數據分析系統，實現科學決策，提升生產管理水平，實現可持續綜合盈利能力。以「高標準、高定位、高起點」為原則，達到「提單產、降成本、優結構」的牛群飼養目標。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Environmental Protection and Epidemic Prevention

With the mission of “creating the world’s most advanced farms, producing the highest quality milk, and achieving harmonious development of people and nature”, the Group actively fulfills its social responsibilities. The Group continuously improves on various aspects such as product quality, dairy cow disease control and environmentally friendly production to maximize social benefits.

Currently, the Company’s various milk quality indicators are better than the EU standards. Food safety indicators are set in the raw milk production process, and the whole process is strictly monitored to ensure that the raw milk quality meets the standards. Since Mengniu increased its stake in the Company, the Group and Mengniu have enhanced cooperation in product testing, unified inspection standards and processes, improved testing efficiency and product quality. The Group strictly complies with relevant laws and regulations for epidemic prevention management, conducts health rating management for dairy cows, cautiously controls the environment of farms, refines the management of farms, provides epidemic prevention and protection for dairy cows, and establishes quarantine and health check plans for cows, to ensure the health of cows.

環境保護與疫控

本集團素以「創建世界最先進的牧場，生產世界最優質的牛奶，實現人與自然的和諧發展」為使命，積極履行社會責任。在產品質量、乳牛疾病管控、環保生產等方面不斷改善以達致最大社會效益。

目前，本公司的各項牛奶品質指標均優於歐盟標準，在原奶生產過程中設置食品安全指標，全程進行監控，確保原奶優質達標。自蒙牛增持本公司後，本集團與蒙牛加強在產品檢測的協同，統一檢驗標準和流程，提高檢測效率，繼續提高產品質量。本集團嚴格遵守相關法律法規的要求進行防疫管理，對奶牛進行健康評級管理，嚴控牧場環境，細化牧場出入管理、生產區防疫防護管理，為奶牛制定檢疫和健康檢查計劃，保障奶牛的健康。



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Based on resource recycling, the Group has built a green recycling industrial chain of “forage planting – dairy farming – fertilizer treatment – biogas power generation – fertilizer back to the field”. Each farm is equipped with large-scale biogas power generation facilities and comprehensive utilization facilities for biogas fertilizer, which absorbs, digests and indiscriminately treats the manure. For sustainable development, the Group will continue to implement high-standard environmental protection policies and implements rigorous epidemic prevention measures in our farms. The Group expects, through co-operation with CITIC Environment, it could enhance industrial efficiency and expand the scale of green production.

ASSOCIATE FACTORIES

In March 2018, the Group completed the disposal of 50% equity interest each of Modern Dairy (Feidong) Co., Ltd. (“**Feidong**”) (現代牧業(肥東)有限公司) and Modern Dairy (Bengbu) Co., Ltd. (“**Bengbu**”) (現代牧業(蚌埠)有限公司) (both of which operate milk processing plant) to Mengniu Group and formed two associate factories (the “**Associate Factories**”). Pursuant to the articles of association of Feidong and Bengbu, Mengniu Group has 51% of the voting power at the shareholders’ meetings and controls three out of a total of five directors of each of Feidong and Bengbu, and thus Mengniu Group has control over the Associate Factories. Accordingly, Mengniu will consolidate the Associate Factories, while Modern Dairy will book the operating results of the Associates Factories through equity accounting. The share of profit by the Group of the Associates Factories recorded as RMB24.87 million in the Reporting Year.

Details of the disposal are set out in the section headed “Report of the Directors – Connected Transactions – Disposal of 50% equity interest in subsidiaries” in this annual report.

本集團立足資源循環利用，構建一條「飼草種植 – 奶牛養殖 – 糞污處理 – 沼氣發電 – 糞肥還田」的綠色循環產業鏈。每期牧場都建設了大型沼氣發電設施和沼肥綜合利用設施，將糞污吸收、消化並進行無害化處理。為實現可持續發展，本集團將繼續奉行高標準的環保政策，並對我們的牧場實施嚴格的防疫措施。本集團期望與中信環境合作，能進一步提升產業效能，擴大綠色生產規模。

聯營工廠

於2018年3月，本公司完成向蒙牛集團分別出售現代牧業(肥東)有限公司(「**肥東**」)及現代牧業(蚌埠)有限公司(「**蚌埠**」)(兩家公司均運營牛奶加工廠房)各50%股權，組成兩家聯營工廠(「**聯營工廠**」)。根據肥東和蚌埠組織章程細則，蒙牛集團分別在肥東和蚌埠的股東大會上有51%的投票權，及分別在董事會中五名董事佔三名，因此控制了肥東和蚌埠兩家聯營工廠並對其併表。本集團則改以會計權益法對聯營工廠入賬，於本匯報年度本集團的應佔聯營工廠溢利為人民幣24.87百萬元。

有關出售的詳情載於本年度報告中的「董事會報告書 – 關聯交易 – 出售附屬公司50%權益」。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

Riding on the marketing strategies and competitive advantage of the sales channels of Mengniu, “Modern Farming”, the branded liquid milk was re-launched in the market with the positioning and new packaging of “Good Milk from Good Farms” during the Reporting Year. In conjunction with the advertising placement in the movie “The Island (2018)”, it became the spotlight of the market, driving up the consumers’ demand. Another new product “high-calcium pure milk” being promoted with “Good Calcium from Good Farms” was officially launched in early 2019. With the market’s knowledge and experience of the Company’s high-quality milk sources and milk products, the Associate Factories are expected to bring another growth highlight for the Group.

Cooperation with CITIC Environment

The Company and CITIC Environment Investment Group Co., Ltd. and one of its subsidiaries (together “CITIC Environment”) entered into a letter of intent on cooperation framework in September 2018, to jointly establish a joint venture on the transformation and operation of manure anaerobic fermentation system and other assets of farms under the Group, which involved the treatment of plug flow reactor for anaerobic fermentation being the principal manure treatment. Biogas produced during fermentation can be deployed for power generation and steam production; biogas residues after drying can be used as beds in cowsheds, while biogas slurry is partially returned to cowsheds and the remaining biogas slurry will be reused as organic fertilizers. For details, please refer to the Company’s announcement dated 28 September 2018.

借助蒙牛的市場策略及銷售渠道優勢，「現代牧業」液態品牌奶以「好奶源自好牧場」的定位及新包裝於匯報年度重新推出市場，配合《一出好戲》電影植入宣傳，成為市場焦點，拉動市場購買力。另一新品高鈣純牛奶主打「好鈣源自好牧場」於2019年初亦正式上市。隨著市場對本公司優質奶源、優質產品的認識和親身體驗，聯營工廠有望為本集團帶來另一個增長亮點。

與中信環境合作

本公司與中信環境投資集團有限公司及其旗下一家子公司(統稱「中信環境」)於2018年9月簽訂合作框架意向書，共同組建合營公司，改造並運營本集團牧場糞污厭氧發酵系統及其他資產，項目涉及廠區採用的連續厭氧發酵為主體的工藝。糞污發酵所產生的沼氣擬用於發電及生產蒸汽；沼渣烘乾後可做牛舍墊床，沼液部分回沖牛舍，其餘沼液作為有機肥料還田再利用。有關詳情請參閱本公司日期為2018年9月28日的公告。



SYNERGIES WITH MENGNIU

The Group and Mengniu have achieved satisfactory synergy in terms of purchasing, sales, cost control, resource utilization and even corporate management. In December 2018, the Company sold certain idle production equipment to Mengniu. It did help integrating the Group's resources, but also lower interest-bearing liabilities and enhance the financial strength of the Group. In respect of raw milk production, the Group adjusted the milk supply to Mengniu according to the seasonal pattern. In early 2019, the Company entered into a cooperation agreement with Yashili International Holdings Ltd, a subsidiary of Mengniu, to provide premium raw milk for its high-end new dairy products. With the increase in the demand of diversified high-end raw milk, the high-end raw milk is expected to become the Company's high value-added business and a new engine of growth.

AWARDS AND RECOGNITIONS

The Group's dairy products are comparable to the average standard of imported milk products in terms of milk fat, milk protein, somatic cells count, total colony count and other fresh milk key indicators, and the quality is among the top rankings in the world. The Company is the first and only company in China that passed the "Quality Milk Project" for its pasteurized milk and UHT milk. During the Reporting Year, four of our Group's products were all awarded the Gold Prize of Monde Selection 2018. The pure milk was consecutively awarded the Gold Prize for the fifth time.

In 2019, the brand of Modern Dairy has been shortlisted as the "Strategic Partner of China's Aerospace Industry", marking our premium quality branded milk widely recognized by all sectors of the society.

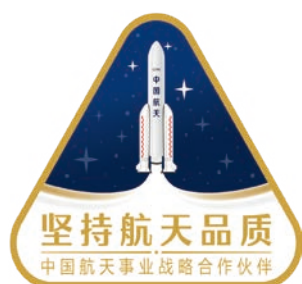
與蒙牛協同

本集團通過與蒙牛的不斷協同，無論在採購、銷售、成本控制、資源利用乃至企業管理等範疇都獲得理想效益。2018年12月，本公司向蒙牛出售若干閒置生產設備，藉此整合本集團資源，降低有息負債，增強本集團財務實力。在原奶生產方面，根據淡旺季規律調節向蒙牛的供奶量。2019年初，公司與蒙牛旗下雅士利國際控股有限公司簽訂合作協議，為其高端新乳品提供優質原奶。隨著多元化高端原奶量的需求增加，高端原奶有望成為本公司的高附加值業務，成為新的增長引擎。

獎項和認可

本集團的乳品，在乳脂肪、乳蛋白質、體細胞、菌落總數等鮮奶關鍵指標上均媲美進口牛奶平均標準，品質居於世界前列。本公司是國內首家也是唯一一家巴氏殺菌奶和UHT滅菌奶同時通過國家「優質乳工程」驗收的企業；於本匯報年度，本集團共有四支產品全部獲得2018年世界食品品質評鑒大會（Monde Selection）金獎，純牛奶更連續第五次榮獲金獎。

2019年，現代牧業品牌成為「中國航天事業戰略合作夥伴」，標誌著公司的高品質品牌奶充分獲得社會各界的廣泛肯定。



连续五年荣获世界食品品质评鉴大会

金獎



MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

FINANCIAL OVERVIEW

Revenue

Business Segmentation Analysis

The following table sets forth the breakdown of the consolidated revenue of our two operating segments for the years ended:

		2018 2018年			2017 2017年		
		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	4,715,942	116,787	4,832,729	4,119,192	280,166	4,399,358
Sales of liquid milk products business	液態奶產品銷售業務	240,869	-	240,869	664,609	-	664,609
Consolidated revenue	合併收入	4,956,811	116,787	5,073,598	4,783,801	280,166	5,063,967

The Group's revenue slightly increased by 3.62% to RMB4,956.8 million (2017: RMB4,783.8 million). The increase was mainly due to the increase in sales volume of raw milk and increase in ASP of raw milk.

The following table sets forth the details of sales revenue, sales volume and ASP of raw milk for the years indicated:

		2018 2018年			2017 2017年		
		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	4,715,942	1,225,441	3,848	4,119,192	1,075,538	3,830
Internal sales	內部銷售	116,787	25,891	4,511	280,166	73,235	3,826
Subtotal	小計	4,832,729	1,251,332	3,862	4,399,358	1,148,773	3,830

財務概況

收入

業務分部分析

下表載列截至該日期止年度兩個經營分部合併收入明細：

本集團的收入略上升3.62%至人民幣4,956.8百萬元(2017年：人民幣4,783.8百萬元)。上升的主要原因為原奶銷量增加及原料奶平均售價上漲所致。

下表載列所示年度的原料奶的銷售收入、銷售量及平均售價詳情：

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

- **Dairy farming business**

Total revenue of raw milk (as an aggregate of external and internal sale) slightly grew by 9.85% year-on-year to RMB4,832.7 million (2017: RMB4,399.4 million).

External sales revenue of raw milk recorded a year-on-year 14.49% increase to RMB4,715.9 million (2017: RMB4,119.2 million) as compared to 2017.

ASP of raw milk slightly grew by 0.52% year-on-year to RMB3.85/kg during the Reporting Year (2017: RMB3.83/kg), sales volume increased by 8.88% year-on-year to 1.251 million tons (2017: 1.149 million tons), mainly due to the rise in AMY per cow and number of milkable cows.

- **Liquid milk products business**

Since April 2018, the Associated Factories were officially operated by Mengniu. The Company adopted the equity accounting to book the results of the Associate Factories since then. The revenue from our liquid milk products business for the first quarter recorded RMB240.9 million during the Reporting Year (2017: RMB664.6 million), accounted for 4.86% of the consolidated revenue (2017: 13.89%).

Total sales volume of liquid milk slid by 60.94% year-to-year to 29,132 tons for the Reporting Year (2017: 74,584 tons). The significant drop in sales volume is a result of the disposal of 50% equity interest in and handover of the operations of the liquid milk business to Mengniu in April 2018.

- **乳牛養殖業務**

原料奶銷售總收入(外部及內部銷售總計)為人民幣4,832.7百萬元(2017年:人民幣4,399.4百萬元),同比略增9.85%。

原料奶的外部銷售收入為人民幣4,715.9百萬元(2017年:人民幣4,119.2百萬元),與2017年比較同比增加14.49%。

原料奶平均售價於本匯報年度為人民幣3.85元/公斤(2017年:人民幣3.83元/公斤),同比略增0.52%。銷量為1.251百萬噸(2017年:1.149百萬噸),同比增加8.88%。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**

自2018年4月,聯營工廠正式由蒙牛經營,自此本公司改用會計權益法對聯營工廠入賬。液態奶產品業務收入於本匯報年度第一季錄得人民幣240.9百萬元(2017年:人民幣664.6百萬元),佔合併收入4.86%(2017年:13.89%)。

液態奶總銷售量於本匯報年度為29,132噸(2017年:74,584噸),同比大幅下降60.94%。銷量大幅下降是由於出售液態奶業務50%股權並自2018年4月起移交蒙牛營運所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

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:

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

		2018 2018年		2017 2017年	
		RMB'000 人民幣千元	% 百分比	RMB'000 人民幣千元	% 百分比
Direct materials	直接材料	2,449,233	73.9%	2,262,827	74.7%
Labor cost	勞工成本	243,406	7.4%	206,420	6.8%
Utilities	公用事業費用	96,414	2.9%	70,257	2.3%
Depreciation	折舊	250,422	7.6%	239,264	7.9%
Other costs of farms	畜牧場其他開支	272,676	8.2%	252,440	8.3%
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	3,312,151	100%	3,031,208	100%
Inter-segment cost	內部成本	(68,381)		(202,257)	
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	3,243,770		2,828,951	

Total feed cost (before eliminating cost of sales in relation to internal supply of raw milk) during the Reporting Year amounted to RMB2,449.2 million (2017: RMB2,262.8 million), representing an increase of 8.24%, which was mainly due to the increase in number of milkable cows.

Despite the impact of the Sino-US trade war, we lowered the use of alfalfa by regulating the formula of the feed, and effectively managed to control the forage costs. During the Reporting Year, the cash cost of (excluding depreciation) raw milk sold (before eliminating cost of sales in relation to internal supply of raw milk) amounted to RMB2,447/ton (2017: RMB2,430/ton), approximately the same as 2017.

於本匯報年度，總飼料成本(對銷內部原料奶供應相關銷售成本前)為人民幣2,449.2百萬元(2017年：人民幣2,262.8百萬元)，增幅為8.24%。主要是由於成乳牛數量的增加所致。

儘管受中美貿易戰爭的影響，本公司通過調節飼料配方，降低了苜蓿的使用量，有效地控制飼草料成本。於本匯報年度，我們售出的原料奶現金成本(對銷內部原料奶供應相關銷售成本前)(除折舊外)為人民幣2,447元/噸(2017年：人民幣2,430元/噸)，與2017年基本持平。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

- **Liquid milk products business**

The raw material cost in respect of the branded liquid milk business during the Reporting Year (before eliminating cost of sales in relation to internal supply of raw milk) slid by 60.24% year-on-year to RMB191.6 million (2017: RMB481.9 million) as a result of the disposal of 50% equity interest in and the handover of the operations of the branded liquid milk business to Mengniu since April 2018.

Cash cost (excluding depreciation) per ton of branded liquid milk sold (before eliminating cost of sales in relation to internal supply of raw milk) amounted to RMB7,253 million (2017: RMB7,553 million), representing a decrease of 3.97% year-on-year.

Gross profit and profitability

The following table sets forth the breakdown of gross profit and gross profit margin before raw milk fair value adjustments:

		2018 2018年		2017 2017年	
		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	1,520,578	31.46%	1,368,150	31.10%
After elimination	對銷後	1,472,172	31.22%	1,290,241	31.32%
Liquid milk products business	液態奶產品業務				
Before elimination	對銷前	19,908	8.27%	59,980	9.02%
After elimination	對銷後	73,969	30.71%	140,603	21.16%

- **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) amounted to RMB1,520.6 million during the Reporting Year (2017: RMB1,368.2 million), representing an increase of 11.14% year-on-year, which was mainly due to the increase in sales volume of raw milk.

- **液態奶產品業務**

由於出售品牌液態奶業務50%股權並自2018年4月起已移交由蒙牛營運，於本匯報年度有關品牌牛奶的原材料成本(對銷內部原料奶供應相關銷售成本前)同比下滑60.24%至人民幣191.6百萬元(2017年：人民幣481.9百萬元)。

我們售出的每噸品牌液態奶現金成本(除折舊外)(對銷內部原料奶供應相關銷售成本前)為人民幣7,253百萬元(2017年：人民幣7,553百萬元)，同比降低3.97%。

毛利及盈利能力

下表載列原料奶公平值調整前的毛利及毛利率明細：

- **乳牛養殖業務**

我們的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)於本匯報年度為人民幣1,520.6百萬元(2017年：1,368.2百萬元)，同比增幅為11.14%，主要是由於原料奶銷售數量增加所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

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) stood at 31.46% during the Reporting Year (2017: 31.10%), representing an increase of 0.36 ppt year-on-year, which was mainly due to the increase in AMY 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) amounted to RMB19.9 million during the Reporting Year (2017: RMB60.0 million), representing a decrease of 66.83% year-on-year. The significant slide was due to the disposal of 50% equity interest in and the handover of the operations of the branded liquid milk products business to Mengniu in April 2018.

Gross profit margin of our liquid milk products business (before eliminating cost of sales in relation to internal supply of raw milk) was 8.27% (2017: 9.02%), the decrease was mainly due to the change of pricing model to “cost-plus”.

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

As at 31 December 2018, the biological assets of the Group were valued at RMB7,717.1 million (31 December 2017: RMB7,751.1 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 RMB870.1 million as at 31 December 2018 (31 December 2017: RMB868.3 million). Both were approximately the same as 2017 year-on-year.

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

The gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest amounted to RMB1,371.5 million (2017: RMB1,228.0 million), representing an increase of 11.69% year-on-year, mainly due to the increase in sales volume of 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.

由於每頭乳牛的年產奶量上升所致，我們的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)於本匯報年度為31.46%(2017年：31.10%)，同比增幅為0.36個百分點。

- **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)於本匯報年度為人民幣19.9百萬元(2017年：人民幣60.0百萬元)，同比下滑66.83%。顯著跌幅是由於出售液態品牌奶業務50%股權並自2018年4月起移交蒙牛營運所致。

我們的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)為8.27%(2017年：9.02%)，主要是定價模型變為「成本加成」導致下降。

乳牛公平值變動減乳牛出售成本產生的虧損

於2018年12月31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7,717.1百萬元(2017年12月31日：人民幣7,751.1百萬元)。於2018年12月31日，乳牛公平值變動減乳牛出售成本所產生的虧損為人民幣870.1百萬元(2017年12月31日：人民幣868.3百萬元)。以上兩者與2017年同比均大約持平。

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

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為人民幣1,371.5百萬元(2017年：人民幣1,228.0百萬元)，同比增幅為11.69%，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。

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Other income

During the Reporting Year, other income amounted to RMB66.1 million (2017: RMB51.8 million) which mainly consisted of government grants and interest income, of which interest income accounted for RMB11.0 million (2017: RMB8.2 million), while the government grants amounted to RMB43.7 million (2017: RMB37.6 million). Government grants mainly consisted of subsidies for agricultural projects such as "Grain to Fodder".

其他收入

於本匯報年度，其他收入為人民幣66.1百萬元(2017年：人民幣51.8百萬元)，主要包括政府補貼、利息收入等，其中利息收入為人民幣11.0百萬元(2017年：人民幣8.2百萬元)。政府補貼為人民幣43.7百萬元(2017年：人民幣37.6百萬元)，政府補貼主要包括「糧改飼」等對農業項目的補貼。

Operating expenses

經營開支

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Selling and distribution costs	銷售及分銷成本	172,256	372,602
Administrative expenses	行政開支	232,450	356,486
Total operating expenses	經營開支總額	404,706	729,088

The total operating expenses decreased from RMB729.1 million in 2017 to RMB404.7 million in the Reporting Year, representing a reduction of 44.5% year-on-year.

經營開支總額由2017年度的人民幣729.1百萬元降至本匯報年度人民幣404.7百萬元，同比減少44.5%。

- Selling and distribution costs ("S&D costs")
The following is an analysis of the S&D costs:

- 銷售及分銷成本(「銷售及分銷成本」)
銷售及分銷成本分析如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Dairy farming business	奶牛養殖業務		
Transportation costs and others	運輸費及其他	163,130	149,779
Liquid milk segment	液奶分部		
Transportation, loading and unloading costs	運輸裝卸費	982	43,301
Staff remuneration	職工薪酬	1,718	40,044
Publicity expenses	宣傳費	546	92,514
Others	其他	2,444	44,644
Business tax and surcharge	營業稅金及附加	3,436	2,320
Total selling and distribution costs	銷售及分銷成本總額	172,256	372,602

MANAGEMENT DISCUSSION AND ANALYSIS

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S&D costs stood as RMB172.3 million for the Reporting Year (2017: RMB372.6 million) 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.

Transportation costs for sales of raw milk recorded at RMB163.1 million (2017: RMB149.8 million), representing an increase of 8.9% year-on-year, mainly attributable to an increase in the sales volume of raw milk.

The amount of S&D cost of branded liquid milk segment amounted to RMB5.69 million (2017: RMB210.9 million), accounted for 3.3% (2017: 56.6%) of the overall S&D costs. The significant decrease was mainly due to the disposal of 50% equity interest in and the handover of the operations of downstream business to Mengniu. Mengniu took account for the marketing and promotion expense thereafter.

- **Administrative expenses**

The Company recorded RMB232.5 million during the Reporting Year (2017: RMB356.5 million), representing a decrease of 34.78% year-on-year.

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) amounted to RMB113.4 million of the Reporting Year (2017: RMB127.5 million). Since the Associate Factories taken by Mengniu, the marketing and related management personnel of the Company decreased resulting in lower administrative expenses.

The equity-based share option and share award expenses included in administrative expenses amounted to RMB8.6 million of the Reporting Year (2017: RMB96.3 million), representing a decrease of 91.07% year-on-year. 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 2017.

銷售及分銷成本於本匯報年度為人民幣172.3百萬元(2017年：人民幣372.6百萬元)，主要包括原料奶銷售的運輸費用、液態奶銷售的運輸費用及銷售人員工資和日常開支等。

原奶銷售的運輸費用為人民幣163.1百萬元(2017年：人民幣149.8百萬元)。同比增加8.9%，主要是由於原料奶銷售數量增加所致。

品牌液態奶分部的銷售及分銷成本為人民幣5.69百萬元(2017年：人民幣210.9百萬元)，佔整體銷售及分銷成本的3.3%(2017年：56.6%)。大幅降低的主要原因為出售下游業務50%股權並已移交蒙牛營運，蒙牛此後承擔市場及推廣開支。

- **行政開支**

本公司於本匯報年度錄得人民幣232.5百萬元(2017年：人民幣356.5百萬元)，同比下降達34.78%。

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)於本匯報年度為人民幣113.4百萬元(2017年：人民幣127.5百萬元)。自蒙牛承接聯營工廠後，本公司的市場行銷及相關管理人員減少，致使行政費用下降。

本匯報年度行政開支中以股權結算的購股權及股份獎勵開支為人民幣8.6百萬元(2017年：人民幣96.3百萬元)，同比下降達91.07%。主要是由於2017年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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Impairment losses, net of reversal

減值虧損扣除撥回

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Impairment losses recognised on:	就下列各項確認的減值虧損：		
– Trade receivables – liquid milk product (Distributors)	– 貿易應收款項 – 液態奶產品 (分銷商)	358,891	488,489
– Trade receivables – liquid milk product (other customers)	– 貿易應收款項 – 液態奶產品 (其他客戶)	5,365	6,782
– Other receivables	– 其他應收款項	3,569	110
Impairment losses reversed on:	就下列各項撥回的減值虧損：		
– Trade receivables – liquid milk product (other customers)	– 貿易應收款項 – 液態奶產品 (其他客戶)	(163)	–
		367,662	495,381

The Group discontinued its cooperation with the relevant major distributors as a result of the disposal of 50% equity interest in and the handover of the operations the liquid milk business to Mengniu Group in 2017, the delayed collection of trade receivable due from these distributors may not be fully recovered. After taking into account the present value of future collection and the security of 318,697,354 ordinary shares of the Company, an impairment loss of RMB488.5 million was recognised in respect of the Group's trade receivables due from these distributors. During the Reporting Year, the Group conducted an impairment test based on the ECL model and recognised additional impairment loss of RMB358.9 million after taking into account the discounted cash flow expected to be received by the Group.

於2017年，出售液態奶業務50%股權並已交由蒙牛集團營運，本集團因此終止與相關主要分銷商的合作，該等分銷商結欠的應收貿易賬款延遲回籠或不能全數收回。經計未來收回款項的現值及318,697,354股本公司普通股的抵押，本集團就應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。於本匯報年度，本集團根據ECL模型進行了減值測試，考慮了本集團預期收到的折現現金流，確認了額外的減值損失人民幣358.9百萬元。

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Other gains and losses, net

During the Reporting Year, net losses arising from other gains and losses amounted to RMB138.6 million (2017: net losses of RMB35.7 million) mainly consisting of net amount of foreign exchange losses, impairment provision for fixed assets and impairment loss on goodwill. The breakdown of other gains and losses is as follows:

其他收益及虧損淨額

於本匯報年度，其他收益及虧損所產生的虧損淨額為人民幣138.6百萬元(2017年：虧損淨額人民幣35.7百萬元)。主要包括外匯虧損淨額、固定資產減值準備、商譽減值損失等。其他收益及虧損明細如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Other gains and losses:	其他收益及虧損：		
Loss from settlement of modified considerations	結清經修訂代價的虧損	-	15,361
Loss from disposal of an associate	出售一間聯營公司的虧損	-	239
Net foreign exchange loss (gain)	外匯虧損(收益)淨額	126,957	(10,199)
Loss from disposal of inventories	出售存貨的虧損	-	5,134
Loss from disposal of property, plant and equipment	出售物業、廠房及設備的虧損	4,768	11,268
Gains arising on disposal of subsidiaries	出售附屬公司產生的收益	(18,193)	-
Impairment loss on AFS equity investment	可供出售股權投資減值虧損	-	12,021
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	36,444	-
Impairment loss on goodwill	商譽減值虧損	25,950	-
Fair value (gain) loss on financial assets at FVTPL	按公平值計入損益金融資產的公平值(收益)虧損		
Foreign currency forward contracts	外匯遠期合約	(35,394)	1,949
Foreign currency option contracts	外匯期權合約	872	-
Bills receivable	應收票據	(1,427)	-
		(35,949)	1,949
Gains on derecognition of financial liabilities	終止確認金融負債的收益	(1,352)	(57)
		138,625	35,716

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Other expenses

Other expenses amounted to RMB23.1 million (2017: RMB20.4 million), mainly consisting of, among other things, contract compensation and losses from sales of milk powder.

In June 2016, Modern Farming (Saibei) Co., Ltd. (“**Saibei**”), a subsidiary of the Company, entered into a consigned processing contract with Bengbu Heping Dairy Co., Ltd (“**Heping**”) to process liquid milk product for Heping. As the Directors predicted the contract would not be fulfilled, Saibei cancelled the contract with a compensation of RMB12 million to Heping in December 2018.

Finance costs

Finance costs amounted to RMB338.6 million (2017: RMB328.4 million), representing an increase of 3.1% year-on-year.

Among which, borrowing costs, down 6.3% to RMB335.1 million (2017: RMB357.7 million), mainly due to the decrease in interest bearing borrowings.

The fair value loss of interest rate swaps incurred by the Company amounted to RMB3.5 million during the Reporting Year, compared with a gain of RMB31.8 million in 2017. In view of the large finance costs, the Company will adopt various feasible measures to reduce interest bearing liabilities, including, among others, the disposal of idle assets and integration of resources.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group’s cash EBITDA amounted to RMB1,528.4 million during the Reporting Year (2017: RMB1,081.8 million), grew by 41.28% year-on-year. The cash EBITDA margin increased to 30.83% (2017: 22.61%), up by 8.22 ppt.

Taking into account the above factors, loss attributable to owners of the Company amounted to RMB496.1 million (2017: loss of RMB975.1 million), representing a reduction of 49.1% year-on-year.

Basic loss per Share was RMB8.15 cents (2017: RMB16.19 cents per Share).

其他開支

其他開支為人民幣23.1百萬元(2017年：人民幣20.4百萬元)。主要包括合約賠償及奶粉銷售損失。

於2016年6月，本公司子公司現代牧業(塞北)有限公司(「**塞北**」)與蚌埠市和平乳業有限責任公司(「**和平**」)訂立委託加工合約，以委託和平加工液態奶產品。由於董事預計合約將不會履行，塞北於2018年12月取消合約並向和平賠償人民幣12百萬元。

財務開支

財務開支為人民幣338.6百萬元(2017年：人民幣328.4百萬元)，同比增加3.1%。

其中，借款成本下降6.3%至人民幣335.1百萬元(2017年：人民幣357.7百萬元)，主要是由於有息負債減少所致。

本公司產生的利率掉期公平值損失於本匯報年度為人民幣3.5百萬元，2017年利益掉期公平值收益為31.8百萬元。鑒於財務開支龐大，本公司將採取各項可行措施以降低有息負債，其中包括出售閒置資產及整合資源等。

本公司持有人應佔溢利

於本匯報年度，本集團的現金EBITDA為人民幣1,528.4百萬元(2017年：人民幣1,081.8百萬元)，同比增幅41.28%。現金EBITDA利潤率增至30.83%(2017年：22.61%)，增加8.22個百分點。

經計及上述因素後，本公司持有人應佔虧損為人民幣496.1百萬元(2017年：虧損人民幣975.1百萬元)，同比減少49.1%。

每股基本損失為人民幣8.15分(2017年：每股人民幣16.19分)。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the Reporting Year, the amount of net cash generated from operating activities of the Group was RMB1,406.0 million (2017: RMB500.9 million), representing a 180.69% increase year-on-year, demonstrating a robust recovery in overall operation.

As at 31 December 2018, the net gearing ratio, which was calculated on the basis of the amount of total borrowing less cash and cash equivalents and restricted bank deposits as a percentage of the total equity, was 97.4% (31 December 2017: 95.1%).

As at 31 December 2018, the Group's available and unutilized bank financing facilities were approximately RMB4,954.7 million (31 December 2017: RMB6,306.5 million). Having considered the (i) forecast cash flow from operating activities of continuing operation, (ii) existing financial resources and gearing level of the Group, and (iii) existing banking facilities available to the Group, the Directors believe that the Group's financial resources are sufficient to meet its debt repayment, day-to-day operations, contracted capital expenditures as at 31 December 2018.

Operating activities

During the Reporting Year, the net cash inflow from operating activities of the Group was RMB1,406.0 million (2017: RMB500.9 million). The surge of net cash inflow from operating activities was mainly due to the increase of income in the Reporting Year and the Group has strengthened recovery of accounts receivable.

Investing activities

Net cash outflow from investing activities was RMB1,061.6 million (2017: net outflow of RMB972.7 million), representing a year-on-year growth of 9.14%. The improvement was mainly due to the increase in fixed asset investment and disposal of subsidiaries.

Financing activities

Net cash outflow from financing activities was RMB307.9 million (2017: net inflow of RMB286.6 million), mainly due to the decrease in bank borrowings this year.

流動資金、財務資源及負債率

於本匯報年度，本集團經營活動產生的現金淨額為人民幣1,406.0百萬元(2017年：人民幣500.9百萬元)。同比增長180.69%，顯示整體運營開始恢復。

於2018年12月31日，淨槓桿比率(按總借款減現金及現金等價物及受限制銀行存款佔總權益百分比基準計算)為97.4%(2017年12月31日：95.1%)。

於2018年12月31日，本集團的可動用及未動用銀行融資額度約人民幣4,954.7百萬元(2017年12月31日：人民幣6,306.5百萬元)。經考慮(i)持續經營業務的經營活動預測現金流量；(ii)本集團的現有財務資源及槓桿水平；及(iii)本集團可供使用的現有銀行融資，董事相信，本集團有充足財務資源清還債務，為其日常業務營運及於2018年12月31日的已訂約資本開支提供資金。

經營活動

於本匯報年度，本集團的經營活動現金淨流入人民幣1,406.0百萬元(2017年：人民幣500.9百萬元)。經營淨現金流入增加主要由於本年收入增加，同時集團加強應收賬回籠。

投資活動

投資活動產生的現金淨流出為人民幣1,061.6百萬元(2017年：淨流出人民幣972.7百萬元)，同比上升9.14%，主要是固定資產投資增加及出售子公司所致。

融資活動

融資活動所產生現金淨流出為人民幣307.9百萬元(2017年：淨流入人民幣286.6百萬元)，主要是本年銀行借款減少所致。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

INTEREST-BEARING BORROWINGS

As at 31 December 2018, the total interest-bearing borrowings was RMB7,148.1 million.

Details are set out as below:

有息借款

於2018年12月31日，有息借款總額為人民幣7,148.1百萬元。

詳細表列如下：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Borrowings:	借款：		
Bank borrowings	銀行借款	4,437,502	3,481,210
Medium-term notes	中期票據	621,880	1,866,895
Corporate bonds	公司債券	1,087,568	1,084,867
Other borrowing	其他借款	1,001,111	1,106,115
		7,148,061	7,539,087
Carrying value repayable:	應償還賬面值：		
Within one year	一年以內	4,401,668	3,980,839
Between one and two years	一至二年內	2,316,393	1,364,676
Between two and five years	二至五年內	430,000	2,193,572
		7,148,061	7,539,087

The following is an analysis of the respective borrowings:

- Bank borrowings**
 During the Reporting Year, the effective annual interest rate of bank borrowings varied from 0.45% to 5.0% (2017: from 0.9% to 6.4%).

各項借款分析如下：

- 銀行借款**
 於本匯報年度內，銀行借款的實際年利率變幅為0.45%至5.0%（2017年：0.9%至6.4%）。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

The table below sets forth the short-term and long-term bank borrowings as at 31 December 2018:

下表列載於2018年12月31日的短期及長期銀行借款：

		2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元
Bank borrowings:	銀行借款：		
Unsecured borrowings	無抵押借款	3,972,022	3,468,694
Secured borrowings	有抵押借款	465,480	12,516
		4,437,502	3,481,210
Carrying amount repayable:	應償還賬面值：		
Within one year	一年以內	1,691,109	1,568,181
Between one and two years	一年至兩年內	2,316,393	516,000
Between two and five years	兩年至五年內	430,000	1,397,029
		4,437,502	3,481,210

• Medium-term notes and corporate bonds

On 23 March 2016, Modern Farming (Group) Co., Ltd., a subsidiary of the Company (“**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.

In June 2016, Modern Farming 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, Modern Farming 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.

• 中期票據及公司債券

於2016年3月23日，本公司子公司現代牧業(集團)有限公司(「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%。

於2016年6月，現代牧業(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2016年8月12日，現代牧業(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%。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

On 28 March 2017, Modern Farming issued the second 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.

於2017年3月28日，現代牧業(集團)發行第二批公司債券，本金總額為人民幣800,000,000元，將於三年後到期。公司債券的固定利率為每年5.49%。相關交易成本為人民幣3,600,000元。實際利率為每年5.66%。

• Other borrowing

• 其他借款

		2018 2018年 RMB'000 人民幣千元	2017 2017年 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	–	39,604
– Borrowings from Mengniu Group (Note)	– 來自蒙牛集團的借款 (附註)	1,001,111	1,066,511
		1,001,111	1,106,115
Less: Amounts due within one year (shown under current liabilities)	減：一年內到期款項 (於流動負債項下列示)	1,001,111	1,106,115
Amounts due after one year	一年後到期款項	–	–

Note: 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 RMB1.5 billion 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. In September 2017, pursuant to the letter of comfort to certain US\$ loan, borrowing facilities of RMB1.0 billion was extended to September 2020, and then further extended to September 2021 pursuant to the letter of comfort to the HK\$ Loan in September 2018. The outstanding borrowings at 31 December 2018 will mature within one year and bear interest at fixed rate of 4.00% per annum.

附註：於2017年5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15億元，借款融資將於2020年5月到期，按參考中國人民銀行基準利率釐定的固定利率計息。於2017年9月，根據若干美元貸款告慰函，借款融資人民幣10億元的到期日延長至2020年9月，並根據於2018年9月的港元貸款告慰函，到期日進一步延長至2021年9月。於2018年12月31日尚未償還的借款將於一年內到期，並按4.00%的年利率計息。

GROUP STRUCTURE

Save for disclosed in this announcement, during the Reporting Year, there was no material change in the structure of the Group.

本集團架構

除本公告披露者外，於本匯報年度，本集團架構並無發生任何重大變動。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

CAPITAL STRUCTURE

As at 31 December 2018 and 2017, the total number of ordinary shares in issue remains unchanged, stands as 6,131,406,706 shares.

The Group had interest bearing borrowings of approximately RMB7.15 billion as at 31 December 2018 (31 December 2017: approximately RMB7.54 billion), of which the current interest bearing borrowings amounted to RMB4.40 billion (31 December 2017: RMB3.98 billion), non-current interest bearing borrowings amounted to RMB2.75 billion (31 December 2017: RMB3.56 billion). RMB and foreign currency borrowings amounted to RMB4.87 billion and US\$312 million respectively, and EUR20 million (31 December 2017: RMB and foreign currency borrowings amounted to RMB6.29 billion and US\$180 million and EUR13 million, respectively).

As at 31 December 2018, the total assets and net amounts of financial assets of the Group amounted to approximately RMB15.9 billion (31 December 2017: approximately RMB16.72 billion) and RMB6.55 billion (31 December 2017: approximately RMB7.09 billion).

As at 31 December 2018, the net assets attributable to owners of the Company amounted to approximately RMB6.45 billion (31 December 2017: approximately RMB6.97 billion), the net borrowings of the Group (interest bank borrowings and other borrowings, net unsecured cash and cash equivalents items) amounted to approximately RMB6.38 billion (31 December 2017: approximately RMB6.74 billion).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2018, there was no buildings and equipment of the Company (31 December 2017: RMB93.9 million) were pledged as security for the Group's borrowings.

As at 31 December 2018, biological assets with carrying value of RMB875.5 million (31 December 2017: RMB1,154.2 million) were pledged as security for the Group's borrowings.

The Group did not have any significant contingent liabilities as at 31 December 2018 and 2017.

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 31 December 2018, the Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB7.8 million (31 December 2017: RMB41.9 million).

資本架構

於2018及2017年12月31日，已發行普通股股份總數保持不變，仍為6,131,406,706股股份。

於2018年12月31日，本集團有息借款約人民幣71.5億元(2017年12月31日：約人民幣75.4億元)，其中流動有息借款為人民幣44.0億元(2017年12月31日：人民幣39.8億元)，非流動有息借款為人民幣27.5億元(2017年12月31日：人民幣35.6億元)。人民幣及外幣借款分別為人民幣48.7億元及美金3.12億元，歐元為0.2億元(2017年12月31日：人民幣和外幣借款分別為人民幣62.9億元及美金1.8億元，歐元為0.13億元)。

本集團於2018年12月31日資產總值及金融資產淨值分別為約人民幣159億元(2017年12月31日：約人民幣167.2億元)及人民幣65.5億元(2017年12月31日：約人民幣70.9億元)。

於2018年12月31日，本公司擁有人應佔淨資產約為人民幣64.5億元(2017年12月31日：約人民幣69.7億元)，本集團淨借款(計息銀行借款及其他借款減無抵押現金及現金等值項目)約為人民幣63.8億元(2017年12月31日：約人民幣67.4億元)。

或然負債及資產抵押

於2018年12月31日，本公司並沒有樓宇及設備(於2017年12月31日：人民幣93.9百萬元)被抵押作本集團借款的擔保。

於2018年12月31日，生物資產的賬面值為人民幣875.5百萬元(於2017年12月31日：人民幣1,154.2百萬元)已抵押作本集團借款的擔保。

於2018年及2017年12月31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2018年12月31日，本集團有關收購物業、廠房及設備的資本承擔為人民幣7.8百萬元(於2017年12月31日：人民幣41.9百萬元)。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

As at 31 December 2018, the Group has operating lease commitments in relation to the operating leased property, plant and equipment and leased land of RMB57.8 million (31 December 2017: RMB11.9 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, bank loans and proceeds from the issuance of the bonds to satisfy its operational and investment needs.

The financial risk management objectives and policies of the Group are set out in note 40 to the consolidated financial statements.

SOCIAL RESPONSIBILITY

The Group has been proactively fulfilling its social responsibility and adheres to the principle of safety and quality come first, proactively develops and implements modern scientific breeding and feeding know-how. The Group puts great effort to strike a balance between business growth and social responsibility, so as to convey the Group's care and blessing to all stakeholders.

The Group is committed to improving the quality of its products by providing consumers with a commitment to provide healthy, safe, nutritious and high-quality dairy products. Meanwhile, adhering to the principle of energy conservation and environmental protection, due to the improvement of raw milk quality and processing technology, the Group's heat treatment temperature of pasteurized milk decreased by 5°C and heat treatment temperature of UHT milk decreased by 1°C, achieving cost savings.

The Group actively promotes the economic development of farms in the surrounding areas and increases the income of local residents. The Group actively implements the precise poverty alleviation policy, responds to the call of poverty alleviation, and does a good job of poverty alleviation in industry and society. Firstly, the contract of silage planting was signed with local farmers in farm areas to reduce the impact of natural disasters on crop harvest. At the same time, to solve the local employment problem, the Group's farms provide multiple jobs throughout the country, effectively alleviating the pressure of rural surplus labor force and increasing the income of local farmers. The Group also undertakes social responsibility and promotes local economic development through direct donation of materials, donation of money and visits to nursing homes.

於2018年12月31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57.8百萬元（於2017年12月31日：人民幣11.9百萬元）。

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、銀行貸款及發行債券所得款項以應付其經營及投資需要。

本集團的金融風險管理目標及政策載於綜合財務報表附註40。

社會責任

本集團積極履行社會責任，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餵飼技術。努力在發展業務與社會責任之間取得平衡，讓廣大持份者感受到現代牧業傳遞的關愛和幸福。

本集團踐行為消費者提供健康安全、營養豐富、品質優異乳品的承諾，致力提升產品質量。同時秉承實現節能環保原則，由於生鮮乳質量提升和加工工藝改善，本集團的巴氏殺菌奶熱處理溫度下降了5°C，UHT滅菌奶下降了1°C，實現節約成本的目的。

本集團積極帶動牧場所在周邊經濟發展，增加當地居民收入。本集團積極落實精準扶貧政策，響應扶貧號召，做好行業扶貧，社會扶貧。首先，主動與牧場所在地農戶簽訂青貯種植合同，減少自然災害對百姓農作物收穫的影響。同時解決當地人員就業問題，本集團的牧場在全國各地提供多個崗位，有效緩解農村剩餘勞動力壓力，增加當地農民收入。本集團也以直接捐贈物資、捐贈金錢、探訪養老院等多種方式，承擔社會責任，促進當地經濟發展。

MANAGEMENT DISCUSSION AND ANALYSIS 管理層討論及分析

The Group's social responsibility efforts have widely spread from dairy breeding, accountable quality, green development to employee development and social care. The Group has always adhered to the concept of "people-oriented", and taken the responsibility for promoting sustainable development of the dairy industry, giving back to the nature and serving the society.

To better illustrate the Group's social responsibilities, environmental protection and social and corporate governance, a report on the environmental, social and governance report (the "ESG Report") will be separately released in due course.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 31 December 2018, the Group had approximately 4,735 employees (31 December 2017: 5,097) in mainland China and Hong Kong. Total staff costs during the Reporting Year (including staff compensation capitalized to biological assets) were approximately RMB435.7 million (2017: RMB478.8 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

Currently, domestic consumption in the first and second tier cities continues to increase, and consumption power in the third and fourth tier cities and rural areas has gradually released, this brought a huge consumption potential to high-quality dairy products. Large-scale upstream enterprises model with intensive and detailed operation can fulfil the demand for high-quality raw milk and has become the trend of China's dairy industry.

Entering 2019, the Group will enter the ninth year of listing. The Group will continue to adhere to the three lifelines of food safety, environmental protection safety and epidemic prevention safety to create technologically advanced farms and produce high-quality raw milk.

The Group will adhere to improving the milk yield, lowering costs, enhancing efficiency, promoting synergies and creating brands. The Group strives to reduce finance cost by lowering financial gearing, disposal of non-core assets, uplift of asset utilization. On the other hand, the Group will deepen the synergies with Mengniu, diversify the categories of raw milk products, especially the profitable high-end products and so to create an engine of growth for the Group.

本集團的社會責任之路，從乳牛培育、責任品質、綠色發展再到員工成長及至社會關懷，本集團一貫秉承「以人為本」的理念，擔當起推動奶業可持續發展、回饋自然、服務社會的責任。

為更能說明本集團的社會責任、環境保護以及社會及企業管治，環境、社會及管治報告（「環境、社會及管治報告」）將於適當時候單獨刊發。

人力資源及僱員薪酬

於2018年12月31日，本集團於中國內地及香港擁有約4,735名僱員（2017年12月31日：5,097名）。於本匯報年度總員工成本（含資本化至生物資產的職工薪酬）約為人民幣435.7百萬元（2017年：人民幣478.8百萬元）。

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

當前，國內一二線城市消費力持續增強，三四線城市及農村地區消費能力逐步漸釋放，為高質乳製品帶來巨大消費潛力。集約化及精細化養殖的上游企業模式既可滿足優質原料奶的需要，亦是中國奶業發展的未來方向。

邁入2019年，本集團將踏入上市的第二年。本集團將繼續把握食品安全、環保安全和防疫安全三條生命線，創建先進牧場，生產優質原料奶。

本集團將堅持提高奶產量、降成本、增效益、促協同、創品牌。本集團致力通過降低財務槓桿，出售非核心資產，及提升資產利用率，以減少財務成本。另外，本集團將深化與蒙牛的協同，拓展原料奶產品種類，尤其是能獲利更多的高端產品，為集團創造增長引擎。

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

董事及高級管理層履歷

EXECUTIVE DIRECTORS

Ms. GAO Lina, aged 62, is an executive Director, Chief Executive Officer and Vice 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. During this period, the company became the largest import and export enterprises in Taian City. Ms. Gao was the director general of Taian Municipal Taian Promotion Bureau between October 2003 and June 2005. During the two years, large projects such as Mengniu Group, Guangcai Grand Market and Baolong Group were introduced to Taian City, with a total investment of over RMB6 billion. 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 Financial Market Awards • Best Corporate Leader of the Year".

Mr. HAN Chunlin, aged 46, is an executive Director and the Chief Operation Officer of the Company. Mr. Han is also a director of Modern Farming and Hellingeer Modern Farming Co., Ltd. Mr. Han has more than 20 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.

執行董事

高麗娜女士，62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2005年8月加盟本集團前，高女士於1993年10月至2005年6月為泰安市外貿總公司的總經理。期間公司做到泰安市最大的進出口企業。高女士於2003年10月至2005年6月為泰安市招商局的董事總經理。兩年期間為泰安市引進大型項目如蒙牛集團、光彩大市場、寶龍集團等，共涉資近人民幣六十多億元。加入本集團後，豐富了高女士管理畜牧場方面的經驗，並於2008年11月14日獲委任為本公司執行董事。高女士於2004年頒「泰安市改革經營努力優秀企業家」。高女士於2013年1月被中國教育部授予「科學技術進步獎推廣類一等獎」，在2014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「2017中國融資大獎•年度最佳企業領袖將」。

韓春林先生，46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20年經驗。於2008年9月加盟本集團及於2008年11月14日獲委任為本公司執行董事前，韓先生於2006年2月至2008年7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1999年1月至2004年9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1994年7月至1999年1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1994年7月獲中國內蒙古大學頒發生物學士學位。

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理層履歷

NON-EXECUTIVE DIRECTORS

Mr. LU Minfang, aged 50, 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 was the vice president (Greater China) of Danone Early Life Nutrition Greater China and had 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 had contributed significantly to the success of the Danone Group’s baby nutrition business in China. Prior to joining the Danone Group, Mr. Lu spent 9 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 7 years. Mr. Lu has extensive experience in the management of fast moving consumer products and dairy companies and has an excellent grasp and in-depth knowledge of the PRC market. Mr. Lu obtained his bachelor’s degree from Fudan University in Shanghai.

Mr. WOLHARDT Julian Juul, aged 45, 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 since 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. Mr. Wolhardt is the independent director in Niu Technologies, a company listed in Nasdaq. Mr. Wolhardt was previously worked with KKR Asia Limited and Morgan Stanley responsible for private equity business in China. Mr. Wolhardt is currently the director of Fujian Summer Development Co., Ltd., a company listed in Shenzhen Stock Exchange. 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 the United States.

非執行董事

盧敏放先生，50歲，於2017年3月獲委任為本公司的非執行董事及董事會主席。盧先生現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(股份代號：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、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)有限公司任職九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七年。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。

WOLHARDT Julian Juul先生，45歲，為本公司的非執行董事。Wolhardt先生於2008年7月加盟本集團及於2008年7月30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2012年9月17日至2013年6月28日曾為本公司主席。Wolhardt先生現為德弘資本集團總裁及牛電科技(一間在納斯達克上市的公司，股份代號：NIU)的獨立董事，Wolhardt先生曾任職於KKR Asia Limited及摩根士丹利，負責中國私募股權業務。Wolhardt先生現任福建聖農發展股份有限公司(深圳證券交易所上市公司)的董事。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2012年4月至2015年5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 54, 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 is also currently the non-executive director in Yashili. 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. ZHAO Jiejun, aged 42, is currently the assistant vice president and the general manager of milk sources business department of Mengniu. Mr. Zhao joined Mengniu in 2000 as a sales personnel and has since served successively as regional manager, sales director, general manager of operation and general manager of planning and logistics. Mr. Zhao graduated from Beijing University of Aeronautics and Astronautics with a master degree in information engineering and management. Mr. Zhao has 18 years of experience in the dairy industry and specializes in both sales management and supply chain management. Mr. Zhao has in-depth knowledge of PRC dairy market and great foresight in the PRC dairy industry.

Mr. WEN Yongping, aged 44, was appointed as a non-executive Director of the Company in March 2017 and resigned on January 2019 as he has been designated with other arrangement for business development in Mengniu Group. Mr. Wen is the vice president of Mengniu and the general manager of the chilled business department of Mengniu. Mr. Wen graduated from Inner Mongolia Agricultural University and obtained a Master Degree of Food Engineering. Mr. Wen was previously 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，54歲，於2016年3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及植朴磨坊(中國)有限公司董事。張先生現亦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、財務董事、裝瓶廠總經理，及可口可樂裝瓶商生產控股有限公司總裁。

趙傑軍先生，42歲，現為蒙牛助理副總裁兼奶源事業部總經理。趙先生於2000年加入蒙牛任職銷售人員，此後歷任區域經理、銷售總監、營運總經理及規劃及物流總經理。趙先生畢業於北京航空航天大學，取得信息工程與管理碩士學位。趙先生在乳製品行業擁有18年經驗，精通銷售管理及供應鏈管理。趙先生對中國的乳製品市場有深入瞭解，並對中國乳製品行業有敏銳的洞察力。

溫永平先生，44歲，於2017年3月獲委任為本公司的非執行董事，由於溫先生獲蒙牛集團指派其他業務發展安排，因而於2019年1月辭任。溫先生現為蒙牛的副總裁兼蒙牛低溫事業部總經理。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 64, 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 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，64歲，為本公司的獨立非執行董事。李先生於1980年7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1988年2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1980年9月至2009年9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)(上述均為香港聯交所上市的公司)、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證券交易所上市)的獨立非執行董事。直至2015年9月30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2016年5月李先生為中信証券股份有限公司(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公會－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2008年至2017年12月31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 53, is an independent non-executive Director of the Company. Mr. Li 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 (北京市科學技術獎) in 2000 and 2007 respectively, and was recognized by the Beijing Municipal Government as “Top 10 Scientists with Contribution to the Economic Development in Rural Villages of Beijing” 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. Li was appointed as an independent director of Modern Farming in October 2006 and resigned in June 2009. Mr. Li has been appointed as an independent director of Xinjiang Western Animal Husbandry Co., Ltd. (新疆西部牧業股份有限公司), a company listed on China Venture Exchange (stock code: 300106) since July 2009.

Mr. KANG Yan, aged 43, 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，53歲，為本公司的獨立非執行董事。李先生於1996年7月獲頒發中國農業大學的動物營養學博士學位。自2003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2007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2000年及2007年分別獲頒發北京市科學技術獎的二等獎及獎項，於2009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2012年獲得教育部科技進步一等獎，2013年獲得農業部中華農業科技獎一等獎及2014年獲得國家科技進步二等獎。李先生於2006年10月獲委任為現代牧業(集團)的獨立董事，並已於2009年6月辭任。李先生自2009年7月起獲委任為於中國創業板交易所上市之新疆西部牧業股份有限公司(股份代號：300106)的獨立董事。

康龔先生，43歲，為本公司的獨立非執行董事。康先生於1998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2002年加入北京通商律師事務所及於2008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 41, is the vice 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 54, Mr. Dong is the vice president of the Group to supervise the function of internal control, risk management, legal compliance and investment of the Group. Mr. Dong joined the Group as chief financial officer of the Group in December 2016 until 1 March 2019 when he was redesignated as the vice president of the Group. 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.

Ms. Zhou Xin, aged 43, joined the Company as chief financial officer of the Group on 1 March 2019. Ms. Zhou has over 20 years extensive experience in financial management, treasury, taxation and investor relation earned from sizeable companies including multi-national company listed in Nasdaq. Ms. Zhou obtained a master degree in International Accounting and Financial Management from University of Glasgow in 2007. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Zhou has served as the chief financial officer in a company listed in Nasdaq.

高級管理層

陳紅波先生，41歲，為本集團的副總裁。陳先生於2008年9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2002年5月至2008年9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1996年7月至2002年5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2010年9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，54歲，為本集團副總裁，負責領導本集團內部控制、風險管理、法律合規及投資的職務。董先生於2016年12月加入本集團出任為本集團首席財務官直至2019年3月1日並調任為本集團的副總裁。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1985年7月畢業於北京林業大學獲得水土保持專業學士學位，並於2010年1月獲得內蒙古工業大學項目管理專業碩士學位。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。

周欣女士，43歲，於2019年3月1日加入本公司並出任為本集團首席財務官。周女士於大型企業(包括於納斯達克上市的跨國公司)的財務管理、庫務、稅務及投資者關係等方面擁有逾20年豐富經驗。周女士於2007年獲英國格拉斯哥大學頒發國際會計及財務管理碩士學位。彼為英國特許公認會計師公會資深會員及中國註冊會計師協會會員。加入本公司之前，周女士曾擔任於納斯達克上市公司的首席財務官。

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT 董事及高級管理層履歷

Mr. ZHAO Zunyang, aged 40, 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. Guo Zhigang, aged 38, is the assistant to the President and head of the technical support center of the Group. Mr. Guo joined the Group in February 2010 and is responsible for the management of herd disease treatment in the Group. He has been responsible for the Group's technical support center since April 2017. Prior to joining the Group, Mr. Guo worked at Wen's Dairy, Feihe and dairy farms in the US. In 2017, he was awarded outstanding young cow veterinarian of China Veterinary Medical Association. Mr. Guo received his bachelor's degree in animal medicine from Southwest Agriculture University in June 2004 and his master's degree in animal medicine from China Agricultural University in September 2016.

Mr. YANG Wenhai, aged 45, 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.

趙遵陽先生，40歲，為本集團的總裁助理兼營養中心主任。趙先生於2010年4月加入本集團，曾在集團下屬牧場負責生產管理兩年，2013年4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2000年7月獲得中國農業大學畜牧專業學士學位，2003年6月獲得中國農業大學動物營養專業碩士學位，2008年5月獲得美國佛吉尼亞理工大學奶牛營養專業博士碩士學位。

郭志剛先生，38歲，為本集團的總裁助理兼技術支持中心主任。郭先生於2010年2月加入本集團，負責集團牛群疾病治療管理工作，2017年4月起負責集團技術支持中心工作。加入本集團前，郭先生曾經在溫氏乳業、飛鶴乳業及美國牧場有過從業經歷。2017年度獲得中國獸醫學會優秀青年奶牛獸醫工作者。郭先生於2004年6月獲得西南農業大學動物醫學學士學位，2016年9月獲得中國農業大學動物醫學碩士學位。

楊文海先生，45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 “**Director(s)**”) 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 2018 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 was not able to attend the annual general meeting of the Company held on 1 June 2018 due to other business engagements.

Three non-executive Directors and two independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 2 March 2018 owing 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.

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2018年12月31日止整個年度及直至本報告日期，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。一名非執行董事由於其他公務而無法出席本公司於2018年6月1日舉行的股東週年大會。

三名非執行董事及兩名獨立非執行董事由於其他公務而無法出席本公司於2018年3月2日舉行的股東特別大會。

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。

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.

As at 31 December 2018, 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 biographical details of the Board members are set out in the "Biographies of Directors and Senior Management" on pages 45 to 51 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").

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。

於2018年12月31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)。

董事會成員之履歷詳情載於本年報第45至51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實質貢獻。

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。

CORPORATE GOVERNANCE REPORT 企業管治報告

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. Mr. LEE Kong Wai, Conway holds more than seven listed issuer directorships. As advised by Mr. Lee that he is a full time professional director and has high attendance for all kind of board meetings, such that the Company believes Mr. LEE can devote sufficient time to the each of board and board committee he engaged with listed issuers and in compliance with Appendix 14 A.5.5 to the Listing Rules.

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.

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;

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。李港衛先生出任超過七個上市發行人董事職位。正如李先生告知彼為全職專業董事並於各種董事會會議具高出席率，因此本公司相信李先生可將足夠的時間投入到上市發行人的各個董事會及董事委員會中，並遵守上市規則附錄14第A.5.5條。

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。

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；

CORPORATE GOVERNANCE REPORT 企業管治報告

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| (c) to review and monitor the training and continuous professional development of Directors and senior management; | (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) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; | (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) to review existing employee incentive schemes of the Company; and | (e) 檢討本公司現有員工激勵計劃；及 |
| (f) to review the Company's compliance with Appendix 14 to the Listing Rules. | (f) 檢討本公司是否符合上市規則第十四章。 |

During the year ended 31 December 2018 (the “Reporting Year”), the Board has fulfilled the corporate governance functions by reviewing the Company's corporate governance practices.

於截至2018年12月31日止年度(「本匯報年度」)，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。

Chairman and Chief Executive Officer (“CEO”)

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 CEO 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 Reporting Year, the Chairman of the Board is Mr. LU Minfang. The CEO of the Company and Vice Chairman of the Board is Ms. GAO Lina.

主席及總裁(「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。於匯報年度，董事會主席為盧敏放先生。本公司總裁及董事會副主席為高麗娜女士。

With the support of the CEO 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.

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。

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BOARD PROCEDURES

During the year ended 31 December 2018, the Board has held four 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 annual general meeting of the Company held on 1 June 2018 ("AGM 2017") are set out as follows:

董事會程序

截至2018年12月31日止年度，董事會舉行四次會議，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、董事委員會會議及本公司於2018年6月1日舉行的股東週年大會（「2017年股東週年大會」）情況的詳情載列如下：

		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					
Name of Director 董事姓名		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
Executive Directors 執行董事							
Ms. GAO Lina (Vice Chairman and CEO)	高麗娜女士 (副主席兼總裁)	1/1	0/1	4/4	N/A 不適用	N/A 不適用	N/A 不適用
Mr. HAN Chunlin (Chief Operation Officer)	韓春林先生 (營運總經理)	1/1	0/1	4/4	N/A 不適用	N/A 不適用	N/A 不適用
Non-executive Directors 非執行董事							
Mr. LU Minfang (Chairman)	盧敏放先生(主席)	1/1	0/1	4/4	N/A 不適用	N/A 不適用	1/1
Mr. WOLHARDT Julian Juul	WOLHARDT Julian Juul先生	1/1	1/1	4/4	2/2	N/A 不適用	N/A 不適用
Mr. ZHANG Ping	張平先生	0/1	0/1	4/4	N/A 不適用	1/1	N/A 不適用
Mr. WEN Yongping	溫永平先生	1/1	0/1	4/4	N/A 不適用	N/A 不適用	N/A 不適用
Independent Non-executive Directors 獨立非執行董事							
Mr. LI Shengli	李勝利先生	1/1	0/1	4/4	N/A 不適用	1/1	N/A 不適用
Mr. LEE Kong Wai, Conway	李港衛先生	1/1	1/1	4/4	2/2	N/A 不適用	1/1
Mr. KANG Yan	康龔先生	1/1	0/1	4/4	2/2	1/1	1/1

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, 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.

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 annual general meeting 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 annual general meeting 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 annual general meeting.

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)。於本匯報年度，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。

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。

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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.

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.

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。

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。



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A summary of training received by the Directors during the year ended to 31 December 2018 according to the records provided by the Directors is as follows:

根據董事所提供的紀錄，董事於截至2018年12月31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 (Chairman)	盧敏放先生(主席)	A, B, C
Mr. WOLHARDT Julian Juul	WOLHARDT Julian Juul先生	A, B, C
Mr. ZHANG Ping	張平先生	A, B
Mr. WEN Yongping	溫永平先生	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

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

A: 閱覽有關業務及行業發展的讀物、刊物及最新資料

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

B: 閱覽有關上市規則及其他適用監管規定的讀物

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

C: 出席或主持研討會及/或會議及/或論壇

BOARD COMMITTEES

In order to oversee particular aspects of the Group, the Board had 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:

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：

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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.

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 packages for all the executive Directors, non-executive Directors and the senior management 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 Reporting Year, 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 employee incentive schemes of the Group.

The remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration bands (HK\$) 酬金範圍(港元)

0-1,000,000
1,000,001-2,000,000
2,000,001-3,000,000

Number of persons 成員人數

0
3
2

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。

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。

於本匯報年度，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本集團的僱員激勵計劃。

高級管理層成員截至2018年12月31日止年度之酬金範圍如下：



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 12 and 13 to the consolidated financial statements.

Audit Committee

As at 31 December 2018, 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.

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.

The Audit Committee held two meetings during the year ended 31 December 2018. Major work completed by the Audit Committee during the year includes:

- reviewed the Group's annual report, interim financial information and annual consolidated 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;

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，載於綜合財務報表附註12及13。

審核委員會

於2018年12月31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。

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。

審核委員會於截至2018年12月31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綜合財務報表；
- 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；

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- reviewed continuing connected transactions entered into by the Group or subsisting during the Reporting Year; and
- reviewed usage of annual caps on certain continuing connected transactions of the Group.
- 審閱於匯報年度由本集團訂立或存續之持續關連交易；及
- 審閱本集團若干持續關連交易之年度上限使用。

Nomination Committee

The Nomination Committee comprised one non-executive Director Mr. LU Minfang and two independent non-executive Directors, namely, Mr. LEE Kong Wai, Conway and Mr. KANG Yan. The Chairman of Nomination Committee is Mr. LU Minfang.

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.

During the Reporting Year, the Nomination Committee has 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 2017.

Nomination Policy

The Company has adopted a nomination policy for directorship (the "**Nomination Policy**") which supplemental to the Terms of Reference of the Nomination Committee of the Board (the "**Nomination Committee**"). It aims at setting out the processes and criteria for the nomination of a candidate for directorship in the Company and ensure that all nominations of Board members are fair and transparent in order to facilitate the constitution of the Board with a balance of skills, experience and diversity of perspectives that is appropriate to the requirements of the Company's business.

提名委員會

提名委員會由一名非執行董事盧敏放先生以及兩名獨立非執行董事李港衛先生及康龔先生組成。提名委員會主席為盧敏放先生。

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。

於匯報年度，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2017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。

提名政策

本公司已採納董事提名政策(「**提名政策**」)，補充董事會提名委員會(「**提名委員會**」)職權範圍。其旨在列明提名本公司董事候選人之程序及標準，並確保董事會成員的所有提名屬公平及透明，從而促進構建董事會，以平衡符合本公司業務規定的技能、經驗及多元發展。

The Company has adopted the following Nomination Policy during the Reporting Year:

1. Objective

- 1.1. This policy was approved and adopted by the board of directors (the "Board") of the Company by resolution passed on 17 December 2018 upon the recommendation of the Nomination Committee.
- 1.2. This policy sets out the selection criteria and procedures to be adopted when considering candidates to be nominated to the Board for it to consider or recommended to the shareholders of the Company for election, whether new appointment or re-appointment, as directors of the Company at general meetings or as directors to fill casual vacancies to ensure the Board has a balance of skills, experience and diversity of perspectives to meet various needs of the Company. It is the Board which has the ultimate responsibility for selecting and appointing the directors.

2. Selection criteria

- 2.1. When considering a candidate nominated for directorship or a director's proposed re-appointment, the Nomination Committee will take into account the following factors as a reference:
 - whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;
 - effect on the board's composition and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the compliance with the diversity policy of the Company;
 - commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

本公司於本匯報年度已採納以下提名政策：

1. 目的

- 1.1. 本政策已根據提名委員會的建議，透過於2018年12月17日通過的決議案由本公司董事會（「董事會」）批准及採納。
- 1.2. 本政策載列在考慮向董事會提名以供其考慮或向本公司股東建議供選舉的候選人時採用的甄選標準和程序，不論是在股東大會上新委任或重新委任為本公司董事或作為董事填補臨時空缺，以確保董事會在技能、經驗和多樣性方面取得平衡，滿足本公司的各種需求。董事會對選擇和委任董事負有最終責任。

2. 甄選準則

- 2.1. 考慮提名擔任董事的候選人或董事建議重新委任時，提名委員會將考慮以下因素作參考：
 - 候選人的資格、技能、經驗、行業知識是否符合業務需要或是否符合本公司長期發展；
 - 其對董事會的組成和所有方面（包括但不限於性別、年齡（18歲或以上）、文化及教育背景、種族、專業經驗、技能、知識及服務年期）多元化的影響以及遵守本公司的多元化政策；
 - 候選人承諾投入充足時間有效履行其職責。就此而言，將考慮候選人在公眾公司或機構擔任的職務數目及性質以及其他行政委任或重大承擔；

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- any potential/actual conflicts of interest that may arise if the candidate is selected;
- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and
- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate on a case by case basis.

- 2.2. Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a director of the Company and to the public disclosure of their personal data on any document or the relevant websites for the purpose of or in relation to their standing for election as a director of the Company.
- 2.3. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

3. Nomination procedures

- 3.1. Subject to the provisions in the Company's Articles of Association, if the Board recognises the need to appoint an additional director, the following procedures should be adopted:
- the chairman of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also identify or select candidates to be recommended to the Board, with or without assistance from external agencies or the Company;

- 如候選人獲選而可能產生的任何潛在／實際利益衝突；
- 就委任或重新委任獨立非執行董事而言，則候選人及其直系親屬自本公司的獨立性；及
- 如建議重新委任獨立非執行董事，則其已服務的年數。

以上因素僅供參考，並非詳盡無遺且具有決定性意義。提名委員會可酌情根據具體情況提名任何人士。

- 2.2. 建議的候選人將被要求以規定的形式提交必要的個人資料，連同其就獲委任為本公司董事及在為或就其參與選舉作為本公司董事的任何文件或相關網站上公開披露其個人資料的書面同意。
- 2.3. 如有必要，提名委員會可要求候選人提供額外資料及文件。

3. 提名程序

- 3.1. 在本公司組織章程細則條文的規限下，如董事會認為有需要委任一名額外董事，應採取以下程序：
- 提名委員會主席應召開提名委員會會議，並邀請董事會成員候選人提名(如有)，以供提名委員會於會議前審議。提名委員會亦可在有或無外部機構或本公司協助下，識別或甄選向董事會推薦的候選人；

- the Nomination Committee may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out in section 2.1 herein, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;
 - the Nomination Committee will hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;
 - the Nomination Committee shall provide to the Board for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates;
 - the Nomination Committee shall make recommendation to the Board, including the terms and conditions of the appointment.
- 3.2. The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
- 3.3. All appointments of director should be confirmed by letter of appointment setting out the key terms and conditions of the appointment of the directors, which should be approved by the Nomination Committee.
- 3.4. In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular accompanying the notice of the relevant general meeting will be sent to shareholders of the Company. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders of the Company.
- 提名委員會可使用其認為適當的任何程序，根據(包括但不限於)本文第2.1條規定的準則，評估候選人是否適合及對董事會作出的潛在貢獻，其中可能包括候選人及第三方參考的個人訪談、背景調查、匯報或書面呈交；
 - 提名委員會將舉行現場會議以審議此事宜，除非舉行現場會議屬不切實可行，否則避免以書面決議案作出決定；
 - 提名委員會須向董事會提供一切所需資料供其考慮，包括上市規則第13.51(2)條有關候選人的資料；
 - 提名委員會須向董事會提出建議，包括委任條款及條件；
- 3.2. 董事會根據提名委員會的建議進行審議並決定委任。董事會就與其在任何股東大會上競選候選人的建議有關的所有事項作出最終決定。
- 3.3. 所有董事委任應以委任函確認，當中載列董事委任的主要條款及條件並應由批准提名委員會批准。
- 3.4. 為提供董事會提名參加股東大會選舉的候選人資料，以及邀請股東提名，隨附有關股東大會通告的通函將寄發予本公司股東。該通函將載列股東提名的提交期限。根據適用法律、規則及法規所要求，建議候選人的姓名、簡歷(包括資格及相關經驗)、獨立性、建議薪酬及任何其他資料將包含在寄予本公司股東的通函中。

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4. Re-appointments of existing directors

In cases of re-appointments of existing directors, a physical meeting will be held to consider the re-appointment based on (but not limited to) the criteria set out in paragraph 2.1 above.

5. Nomination by shareholders

The shareholders of the Company may also propose a person for election as a director, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as Director" of the Company.

6. General

6.1. This policy and the progress towards achieving the objectives set out in this policy will be disclosed in the corporate governance report of the Company.

6.2. This policy shall be reviewed annually by the Nomination Committee at its annual meeting. This policy shall be updated and revised as and when necessary in light of changes in circumstances (e.g. change in business needs of the Company) and reflect any change in regulatory requirements, including those under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Any amendment to this policy shall be approved and resolved by the Board in writing.

6.3. In case of discrepancy in respect of the language of this Policy, the English version shall prevail.

4. 重新委任現有董事

在重新委任現有董事的情況下，將舉行現場會議，以根據(包括但不限於)上文第2.1段所載的準則考慮重新委任。

5. 股東提名

本公司股東亦可提名人選為董事，有關詳情載於本公司「股東提名人選參選為董事的程序」。

6. 一般事項

6.1. 本政策及達成本政策所載目標的進度將於本公司企業管治報告中披露。

6.2. 本政策每年由提名委員會在其年度會議上審閱。本政策應根據情況變化(如本公司業務需求的變化)在必要時進行更新和修訂，並反映監管要求的任何變化，包括香港聯合交易所有限公司證券上市規則的規定。對本政策的任何修改應由董事會以書面形式批准及議決。

6.3. 如本政策的語言上有歧異，概以英文版本為準。

Strategy and Development Committee

The Strategy and Development Committee comprises one executive Director, Ms. GAO Lina, two non-executive Director, Mr. WOLHARDT Julian Juul and Mr. WEN Yongping who resigned on 15 January 2019, and Mr. Zhao Jiejun who was appointed on 15 January 2019 and one independent non-executive Directors, Mr. LI Shengli. The Strategy and Development Committee is chaired by Ms. GAO Lina.

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.

戰略及發展委員會

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(彼於2019年1月15日辭任)及趙傑軍(彼於2019年1月15日獲委任))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。

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。

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 2018, the remuneration to the auditor of the Company were approximately RMB2.8 million (2017: RMB2.7 million) for audit services and RMB0.17 million (2017: RMB0.15 million) for non-audit services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge their responsibility to prepare the consolidated 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 consolidated financial statements for the year ended 31 December 2018, 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 consolidated 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 101 to 108 of this annual report.

Pursuant to code provision C.1.2 of the CG Code, the management of the Company have provided 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 during the Reporting Year.

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2018年12月31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2.8百萬元(2017年:人民幣2.7百萬元)及非審核服務酬金約人民幣0.17百萬元(2017年:人民幣0.15百萬元)。

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綜合財務報表。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2018年12月31日止年度之綜合財務報表時,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綜合財務報表。

本公司外聘核數師之報告責任於本年報第101至108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,本公司管理層已於本匯報年度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。

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CONSTITUTIONAL DOCUMENTS

During the Reporting 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.

During the Reporting Year, 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.

組織章程文件

於匯報年度，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。

於匯報年度，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。

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.

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.

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。

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。

CORPORATE GOVERNANCE REPORT 企業管治報告

- 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 Reporting Year, 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.

The senior management has reviewed the risk management and internal control system of the Group for the Reporting Year 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.

- 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。

根據於匯報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。

高級管理層已檢討本集團於匯報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的變化。



COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Company discloses relevant information to Shareholders through the Company's annual report and consolidated financial statements, the interim report, as well as the annual general meeting. 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 annual general meeting allows the Directors to meet and communicate with the Shareholders. The Company's consolidated 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.

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.

與股東溝通

有效溝通

本公司透過本公司之年報及綜合財務報表、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。本公司之綜合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。

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。

CORPORATE GOVERNANCE REPORT 企業管治報告

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 Reporting Year.

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，彼等於本匯報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。

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, 25 March 2019

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，2019年3月25日

REPORT OF THE DIRECTORS

董事會報告書

The Board presents its report together with the audited consolidated financial statements of China Modern Dairy Holdings Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Reporting Year**”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) production and sale of raw milk to customers for processing into dairy products; and (ii) production and sale of liquid milk products. The Company has handover the operations of its production and sale of liquid milk business to China Mengniu Dairy Company Ltd (“**Mengniu**”, together with its subsidiaries, “**Mengniu Group**”) after the completion of disposal of 50% equity interest each in Modern Dairy (Bengbu) Co. Ltd and Modern Dairy (Feidong) Co., Ltd in March 2018.

The particulars of the subsidiaries are set out in note 47 to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the Reporting Year and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements and the notes on pages 109 to 274.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the Reporting Year are set out in note 35 to the consolidated 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 Reporting Year, except that the trustee of the share award scheme of the Company adopted on 26 March 2018, pursuant to the rules of this scheme, purchased on the open market a total of 20,000,000 ordinary shares of the Company as restricted shares at a consideration of approximately HK\$28,835,000 (equivalent to RMB23,583,000).

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2018年12月31日止年度（「本匯報年度」）之報告及經審核綜合財務報表。

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。本公司已於2018年3月，完成出售現代牧業(蚌埠)有限公司及現代牧業(肥東)有限公司各50%的股權後，將其生產及液態奶銷售業務交由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」營運。

附屬公司的詳情載於綜合財務報表附註47。

綜合財務報表

本集團於本匯報年度的業績及本公司和本集團於該日的財務狀況載於第109至274頁之綜合財務報表及其附註。

股本

本公司股本於本匯報年度之變動詳情載於綜合財務報表附註35。

購買、出售或贖回本公司之上市證券

於本匯報年度，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，惟本公司於2018年3月26日採納之股份獎勵計劃之受託人根據計劃之規則於公開市場購買合共20,000,000股本公司普通股股份作為限制性股份，代價約為28,835,000港元（相當於人民幣23,583,000元）。

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 109. The movements in reserves are set out in the consolidated statement of changes in equity on page 113.

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

DONATIONS

Charitable and other donations made by the Group during the Reporting Year amounted to approximately RMB0.23 million (2017: RMB1.73 million).

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 Reporting Year are provided in the CEO's Statement on pages 8 to 11 and the Management Discussion and Analysis on pages 14 to 44 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 40 to the consolidated 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.

業績及股息

本集團於匯報年度之業績載於第109頁之綜合損益及其他全面收益表中。儲備變動載於第113頁之綜合權益變動表中。

於本匯報年度並無派發中期股息(2017年：無)，且董事不建議於本匯報年度派發末期股息(2017年：無)。

捐款

本集團於本匯報年度內作出的慈善及其他捐款約為人民幣0.23百萬元(2017年：人民幣1.73百萬元)。

業務回顧

於匯報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8至11頁及管理層討論與分析第14至44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綜合財務報表附註40。

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。

REPORT OF THE DIRECTORS 董事會報告書

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, restricted share award and cash-based incentive award 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.

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.

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、限制性獎勵股份及以現金為基礎的獎勵以挽留忠誠僱員，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，供應商必須要滿足品質、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。

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。

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 Reporting Year 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 12 to the consolidated financial statements.

CORPORATE GOVERNANCE PRACTICE

Details of the corporate governance practice of the Company are set out on pages 52 to 73 of this annual report.

SHARE CAPITAL

Details of movements in the Company's authorised or issued share capital during the year are set out in note 35 to the consolidated financial statements.

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。於匯報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綜合財務報表附註12。

企業管治常規

本公司的企業管治常規詳情載於年報第52至73頁。

股本

本公司法定或已發行股本於年內的變動詳情載於綜合財務報表附註35。

REPORT OF THE DIRECTORS 董事會報告書

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and of the Company during the Reporting Year are set out in the consolidated statement of changes in equity on pages 113 and note 49 to the consolidated financial statements. The Company's distributable reserves, calculated in accordance with the Companies Law of Cayman Islands, amounted to approximately RMB5,923.1 million as at 31 December 2018 (2017: RMB6,019.5 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 275 to 276.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2018 are set out in notes 29, 30, 31 and 32 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the Group's primary customers. Mengniu Group, accounted for approximately 90.02% (2017: 74.09%) of the Group's total turnover for the Reporting Year. The Group's five largest customers contributed in aggregate 96.63% (2017: 88.35%) of the Group's total turnover for the year ended 31 December 2018.

During the Reporting Year, the five largest suppliers of the Group in aggregate represented 12.73% (2017: 12.37%) of the Group's total purchases. Purchases from the largest supplier accounted for approximately 3.65% (2017: 3.40%) 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.

可分派儲備

本集團及本公司於本匯報年度的儲備變動詳情載於第113頁的綜合權益變動表及綜合財務報表附註49。於2018年12月31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5,923.1百萬元(2017年：人民幣6,019.5百萬元)。

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275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綜合財務報表附註16。

銀行及其他貸款

本集團於2018年12月31日之銀行及其他貸款詳情載於本年報綜合財務報表附註29、30、31及32。

主要客戶及供應商

於本匯報年度，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90.02% (2017年：74.09%)。截至2018年12月31日止年度，本集團五大客戶合共佔本集團總營業額96.63% (2017年：88.35%)。

於本匯報年度，本集團五大供應商合共佔本集團總採購額的12.73% (2017年：12.37%)。最大供應商的採購額佔本集團總採購額約3.65% (2017年：3.40%)。

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(據董事所深知擁有本公司股本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。

DIVIDEND POLICY

The Board has adopted a dividend policy on 17 December 2018 (the “**Dividend Policy**”). Under the Dividend Policy, the declaration and payment of dividends shall be determined at the sole discretion of the Board.

The Company’s ability to distribute dividends will depend on, among others, the profits, operating results, cash flow, financial condition, contractual restrictions, capital requirements and other factors of the Company which the Directors consider relevant, and the interests of the shareholders of the Company. The remaining profit will be used for the development and operation of the Group.

The Company’s distribution of dividends shall also comply with any restrictions under the applicable laws of the Cayman Islands, the laws of Hong Kong, the Listing Rules and the Articles of Association of the Company, as well as subject to the approval of shareholders of the Company.

For details of the Dividend Policy, please refer to the Company’s announcement dated 19 December 2018.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

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

Non-executive Directors

Mr. LU Minfang (*Chairman of the Board*)
Mr. WOLHARDT Julian Juul
Mr. ZHANG Ping
Mr. WEN Yongping
(resigned on 15 January 2019)
Mr. ZHAO Jiejun
(appointed on 15 January 2019)

Independent Non-executive Directors

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

股息政策

董事會已於2018年12月17日採納股息政策(「**股息政策**」)。根據股息政策，股息宣派及派付應由董事會全權酌情決定。

本公司分派股息的能力將取決於(其中包括)本公司的利潤、經營業績、現金流量、財務狀況、合約限制、資本要求及董事認為相關的其他因素以及本公司股東的利益。餘下利潤將用於本集團發展及營運。

本公司分派股息亦受限於開曼群島適用法例、香港法例、上市規則及本公司章程細則項下的任何限制，並須經本公司股東批准。

有關股息政策的詳情，請參閱本公司於2018年12月19日的公告。

董事

於截至2018年12月31日止年度及直至本報告日期，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(*董事會主席*)
WOLHARDT Julian Juul先生
張平先生
溫永平先生
(於2019年1月15日辭任)
趙傑軍先生
(於2019年1月15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

REPORT OF THE DIRECTORS 董事會報告書

In accordance with Article 17.18 of the Articles of Association of the Company, Mr. HAN Chunlin, Mr. LI Shengli and Mr. LEE Kong Wai, Conway will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (“AGM”) as at the date of this report.

By virtue of Article 17.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting. Mr. Zhao Jiejun has been appointed by the Board as a non-executive Director on 15 January 2019. As such, Mr. Zhao Jiejun shall be eligible to offer himself for re-election at the AGM.

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 45 to 51.

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.

Related Parties Transaction

None of the “Related Parties Transactions” as disclosed in note 46 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.

根據本公司組織章程細則第17.18條，於本報告日期，韓春林先生、李勝利先生及李港衛先生將於即將舉行之股東週年大會（「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。

根據組織章程細則第17.2條，董事會有權不時及隨時委任任何人士為董事以填補臨時空缺或加入董事會。如此獲委任的任何董事僅應出任至本公司下屆股東週年大會並屆時符合資格膺選連任。趙傑軍先生已於2019年1月15日獲董事會委任為非執行董事。因此，趙傑軍先生將於股東週年大會上符合資格膺選連任。

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45至51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。

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46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。

DIRECTORS' INTERESTS – LONG AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, 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:

Long positions in the shares and underlying shares of the Company

董事權益 – 於股份、相關股份及債券的好倉及淡倉

於2018年12月31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：

於本公司股份及相關股份的好倉

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.

(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 of the Company, and 29,276,916 share options in underlying shares of the pre-IPO management options (the “Management Options”) granted by the Company.

(3) These represent 1,975,000 award shares granted on 24 April 2017 but not yet vested under the share award scheme of the Company, and 21,653,916 share options in underlying shares of the Management Options granted by the Company.

(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) 這指4,800,000合法實益持有的本公司股份、根據本公司股份獎勵計劃已於2017年4月24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) 這相當於根據本公司股份獎勵計劃已於2017年4月24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

Long positions in the shares of the associated corporation are set out below:

於相聯法團的權益

於相聯法團股份的好倉如下：

Name of Director 董事姓名	Name of associated corporation 相聯法團名稱	Number of shares in associated corporation 於相聯法團的股份數目	Approximate percentage of shareholdings interest 股權 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	1,777,574	0.05%
Mr. ZHANG Ping 張平先生	China Mengniu Dairy Company Limited 中國蒙牛乳業有限公司	486,223	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	513,965	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 vice president of Mengniu and the general manager of the chilled business department of Mengniu. As at the date of this report, Mengniu holds 60.76% of the issued share capital of the Company. Mr. WEN Yongping resigned as non-executive Director of the Company on 15 January 2019.

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低溫事業部總經理。於本報告日期，蒙牛持有本公司已發行股本60.76%。溫永平先生於2019年1月15日辭任本公司非執行董事。

Saved as disclosed above, as at 31 December 2018, 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2018年12月31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

As disclosed in the Company's announcement dated 31 December 2018 in relation to the disposal of the Company's idle equipment to Mengniu (the "Disposal"), Mr. LU Minfang is an executive director and the chief executive officer of Mengniu. Mr. WOLHARDT Julian Juul is an independent non-executive director of Mengniu. Mr. ZHANG Ping is the chief financial officer of Mengniu. Mr. WEN Yongping is the vice president of Mengniu and the general manager of the chilled product business department of Mengniu. Mr. LU Minfang, Mr. ZHANG Ping and Mr. WEN Yongping hold interest in Mengniu as at 31 December 2018 as disclosed in section headed "Directors' Interests – Long and Short Position in Shares, Underlying Shares and Debenture" above. Accordingly, each of Mr. LU Minfang, Mr. WOLHARDT Julian Juul, Mr. ZHANG Ping and Mr. WEN Yongping was considered to have a material interest in the Disposal.

Save as disclosed in this annual report, 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 Reporting Year.

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.

As mentioned above, each of Mr. LU Minfang, Mr. WOLHARDT Julian Juul, ZHANG Ping and Mr. WEN Yongping, held offices in Mengniu during the Reporting Year. Mengniu is a substantial shareholder of the Company and is engaged in the dairy industry.

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

董事於交易、安排或合約的權益

誠如本公司日期為2018年12月31日有關出售本公司的閒置設備予蒙牛(「出售事項」)的公告所披露，盧敏放先生為蒙牛的執行董事兼總裁。WOLHARDT Julian Juul先生為蒙牛的獨立非執行董事。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低溫事業部總經理。盧敏放先生、張平先生及溫永平先生於2018年12月31日在蒙牛持有權益，誠如上文「董事權益 – 於股份、相關股份及債券的好倉及淡倉」一節所披露。因此，盧敏放先生、WOLHARDT Julian Juul先生、張平先生及溫永平先生各自被視為於出售事項中擁有重大權益。

除本年報所披露者外，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本匯報年度任何時間仍然生效之重大交易、安排或合約。

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。

如上文所述，盧敏放先生、WOLHARDT Julian Juul先生、張平先生及溫永平先生各自於本匯報年度在蒙牛任職。蒙牛為本公司的主要股東，並從事乳品行業。

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。

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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 Reporting 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.

PRE-IPO MANAGEMENT OPTIONS

The Company, on 31 October 2010, before initial public offer of the Company, granted management options (“**Management Options**”) to Ms. GAO Lina and Mr. HAN Chunlin. The following Management Options were outstanding as at 31 December 2018:

除上文所披露者外，於本匯報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。

首次公開發售前管理層購股權

本公司於2010年10月31日即本公司首次公開發售前向高麗娜女士及韓春林先生授出管理層購股權（「**管理層購股權**」）。以下為於2018年12月31日尚未行使的管理層購股權：

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

Name of grantee	Date of grant	As at 1 January 2018 於2018年 1月1日	Granted during the period 期內授出	Exercised during the period 期內行使	Cancelled during the period 期內註銷	As at 31 December 2018 於2018年 12月31日
Ms. GAO Lina 高麗娜女士	31 October 2010 2010年10月31日	29,276,916	-	-	-	29,276,916
Mr. HAN Chunlin 韓春林先生	31 October 2010 2010年10月31日	21,653,916	-	-	-	21,653,916
		50,930,832	-	-	-	50,930,832

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(2010年11月26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 2018.

於2018年12月31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%。

SHARE OPTIONS

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

The Company unconditionally adopted a share option scheme on 17 November 2011.

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

The Company unconditionally adopted a share option scheme on 5 June 2014.

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

The Company unconditionally adopted a share option scheme on 30 September 2016.

As at the date of this report, there was no outstanding share options under the Share Option Scheme I, Share Option Scheme II and Share Option Scheme III, except the pre-IPO Management Option. Other details of the share options schemes are set out in note 36 to the consolidated financial statements.

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

SHARE AWARD SCHEMES

The Company operates a restricted share award scheme which was adopted by the Company on 9 September 2016 (the “Share Award Scheme I”), and on 26 March 2018 the Company adopted a new share award scheme (the “Share Award Scheme II”) which shall remain effective for ten years. The goal of the share award schemes are 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.

Under the Share Award Scheme I, a total of 35,969,000 ordinary shares of the Company were purchased from open market by the trustee of the scheme and were all granted as restricted shares to selected participants of under the scheme (the “Awarded Shares”) in April 2017.

購股權

於2011年11月17日採納的購股權計劃(「購股權計劃I」)

本公司於2011年11月17日無條件地採納一項購股權計劃。

於2014年6月5日採納的購股權計劃(「購股權計劃II」)

本公司於2014年6月5日無條件採納一項購股權計劃。

於2016年9月30日採納的購股權計劃(「購股權計劃III」)

本公司於2016年9月30日無條件採納一項購股權計劃。

於本報告日期，除首次公開發售前管理層購股權外，購股權計劃I、購股權計劃II及購股權計劃III項下並無尚未行使的購股權。購股權計劃的其他詳情載於綜合財務報表附註36。

購股權公平值之相關會計政策載於綜合財務報表附註3。

股份獎勵計劃

本公司運作其於2016年9月9日採納的限制性股份獎勵計劃(「股份獎勵計劃I」)，及本公司於2018年3月26日採納另一新股份獎勵計劃(「股份獎勵計劃II」)，股份獎勵計劃II將維持十年有效。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僱員分享成果，以令本集團實現可持續發展。

根據股份獎勵計劃I，本公司合共35,969,000股普通股由計劃受託人於公開市場購買，並於2017年4月全部授予計劃項下的獲選參與者作為限制性股份(「獎勵股份」)。

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The Awarded Shares granted are subject to the terms and condition of the scheme and the fulfillment of all vesting conditions to the vesting of the Awarded Shares imposed on such selected participant as specified in the rules of the scheme and the grant notice.

Out of the Awarded Shares, 13,274,000 of which were granted to certain members of management of the Company, 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 Awarded Shares of 22,695,000 were granted to the eligible employees.

Amongst the Awarded Shares granted, 8,121,000 of which were forfeited due to resignation of selected participants, while the remaining Awarded Shares are not yet vested at the date of this report.

As the total contributed amount of the Share Award Scheme I has reached its limit, the Company on 26 March 2018, adopted Share Award Scheme II. For the avoidance of doubt, any restricted share granted prior to 26 March 2018, shall for all purposes continue to be administered and take effect in accordance with the rules of Share Award Scheme I as adopted on 9 September 2016.

During the Reporting Year 20,000,000 shares of the Company were purchased by the trustee as restricted shares under Share Award Scheme II, but none of which was granted to scheme participants.

As at 31 December 2018, the total number of restricted shares purchased under the above two schemes was 55,969,000, representing approximately 0.91% of the issued share capital of the Company.

For details of the Share Award Scheme II, please refer to the Company's announcement dated 27 March 2018. Further details of the share award schemes are also set out in note 36 to the consolidated financial statements.

已授出獎勵股份須符合計劃的條款及條件，且須達成計劃規則及授股通知中規定向獲選參與者歸屬獎勵股份的所有歸屬條件。

於所有獎勵股份中，其中13,274,000股股份授予本公司若干管理層成員，於授出日期的第二個週年及第三個週年各歸屬兩個部分，惟須符合若干表現及服務條件。剩餘22,695,000股獎勵股份則授予合資格僱員。

在授出的獎勵股份中，其中8,121,000股股份因選定參與者離職而被沒收，而餘下獎勵股份於本報告日期尚未歸屬。

由於股份獎勵計劃I的供款總額已達到上限，所以本公司於2018年3月26日採納股份獎勵計劃II。為免生疑問，2018年3月26日之前所授予的任何限制性股份將繼續按照2016年9月9日通過的股份獎勵計劃I規則繼續管理和生效。

於本匯報年度，由受託人根據股份獎勵計劃II購買本公司20,000,000股股份作為限制性股份，惟並無授予計劃參與者。

於2018年12月31日，以上兩個計劃項下已購買限制性股份總數為55,969,000股，佔本公司已發行股本約0.91%。

有關股份獎勵計劃II之詳情，請參閱本公司日期為2018年3月27日的公告。股份獎勵計劃之進一步詳情於載於綜合財務報表附註36。

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 Schemes" above, at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2018, 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:

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本匯報年度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。

根據證券及期貨條例的股東須予披露權益及淡倉

於2018年12月31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 of substantial shareholders	Capacity/Nature of interest	Number of Shares	Percentage of the Company's issued Share Capital 佔本公司已發行股本百分比
主要股東名稱	身份／權益性質	股份數目	
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(L) ⁽¹⁾	21.49%
	Interest in controlled corporation 受控制法團權益	2,407,866,412(L) ⁽²⁾	39.27%
Future Discovery Limited	Beneficial interest 實益權益	2,407,866,412(L) ⁽²⁾	39.27%

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Name of substantial shareholders	Capacity/Nature of interest	Number of Shares	Percentage of the Company's issued Share Capital
主要股東名稱	身份／權益性質	股份數目	佔本公司已發行股本百分比
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)	325,535,782(L)	5.31%
	受控制法團權益(透過中銀國際金融產品有限公司)		
Bank of China Limited 中國銀行股份有限公司	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 Nam Tung (Macao) Investment Limited)	1,500,000	0.02%
	受控制法團權益(透過澳門南通信託投資有限公司)		
BOC International Holdings Limited 中銀國際控股有限公司	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 Nam Tung (Macao) Investment Limited)	1,500,000(L)	0.02%
	受控制法團權益(透過澳門南通信託投資有限公司)		



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Name of substantial shareholders 主要股東名稱	Capacity/Nature of interest 身份／權益性質	Number of Shares 股份數目	Percentage of the Company's issued Share Capital 佔本公司已發行股本百分比
	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.		(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2017年5月18日的借股協議借予中銀國際金融產品有限公司。	
(2) The interests refer to the same parcel of underlying shares in the Company. Future Discovery Limited is the subsidiary of Mengniu.		(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) Indicates a short position.		(3) (S)指淡倉。	
(4) (L) Indicates a long position.		(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 2018.		除上文所披露者外，於2018年12月31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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CONNECTED TRANSACTIONS

Disposal of 50% Equity Interest in Subsidiaries

On 22 January 2018, Modern Farming (Group) Co., Ltd. (現代牧業(集團)有限公司) (“**Modern Farming**”), a subsidiary of the Company, as seller and Inner Mongolia Mengniu Dairy (Group) Company Limited (內蒙古蒙牛乳業(集團)股份有限公司) (“**Inner Mongolia**”) as buyer entered into a share transfer agreement, pursuant to which Modern Farming agreed to sell and Inner Mongolia agreed to acquire the 50% of the entire issued share capital of Modern Dairy (Bengbu) Co., Ltd. (現代牧業(蚌埠)有限公司) (“**Bengbu**”) and 50% of the entire issued share capital of Modern Dairy (Feidong) Co., Ltd. (現代牧業(肥東)有限公司) (“**Feidong**”). Inner Mongolia is a subsidiary of Mengniu which is a substantial shareholder of the Company. Therefore, Inner Mongolia is an associate of Mengniu and a connected person of the Company under Chapter 14A of the Listing Rules.

The consideration of the disposal is RMB56.04 million in aggregate. Upon completion of the disposal, the Company retains 50% equity interest in each of Bengbu and Feidong.

The disposal provides a good opportunity for the Group to reduce reliance on the Mengniu Group and it is in the best interest of the Company and the Shareholders as a whole to focus on operating dairy farms in China and the business of providing raw milk. In addition, the mutual and complementary partnership with Mengniu could create value for its shareholders by leveraging on Mengniu’s core strengths and taking advantage of the privileged dairy policies launched by the PRC government. The disposal was completed in March 2018.

Details of the disposal are set out in the announcement and circular of the Company dated 22 January 2018 and 13 February 2018, respectively.

Disposal of Idle Assets

On 31 December 2018, Modern Farm (Saibei) Co., Ltd. (現代牧業(塞北)有限公司) (“**Modern Farm (Saibei)**”), a subsidiary of the Company, as seller and Inner Mongolia Mengniu Dairy Baotou Co., Ltd. (內蒙古蒙牛乳業包頭有限責任公司) (“**Mengniu (Baotou)**”) as purchaser entered into a sales and purchase agreement in relation the disposal of the Tetra Pak milk filling machine (room temperature line) (利樂鮮奶灌裝機常溫線) owned by Modern Farm (Saibei) and its spare parts with total consideration of RMB6,267,900. Mengniu (Baotou) is a subsidiary of Mengniu which is a substantial shareholder of the Company. Therefore, Mengniu (Baotou) is an associate of Mengniu and a connected person of the Company under Chapter 14A of the Listing Rules.

關連交易

出售附屬公司50%股權

於2018年1月22日，本公司的附屬公司現代牧業(集團)有限公司(「現代牧業(集團)」，作為賣方)與內蒙古蒙牛乳業(集團)股份有限公司(「內蒙古蒙牛」，作為買方)訂立股份轉讓協議，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(蚌埠)有限公司(「蚌埠」)全部已發行股本的50%及現代牧業(肥東)有限公司(「肥東」)全部已發行股本的50%。內蒙古蒙牛為本公司主要股東蒙牛(集團)的子公司。因此，根據上市規則第14A章，內蒙古蒙牛為蒙牛的聯繫人及本公司的關連人士。

出售事項的代價為合共人民幣56.04百萬元。出售事項完成後，本公司於蚌埠及肥東各維持50%股權。

出售事項為本集團提供良機，可減少對蒙牛集團的倚賴，專注於中國經營牧場及提供原料奶業務符合本公司及股東的整體最佳利益。此外，憑藉蒙牛的核心優勢及中國政府出台的有利乳業政策，與蒙牛互惠互利的合夥關係可為其股東創造價值。出售事項於2018年3月完成。

有關出售事項的詳情載於本公司日期分別為2018年1月22日及2018年2月13日的公告及通函。

出售閒置資產

於2018年12月31日，本公司的附屬公司現代牧業(塞北)有限公司(「現代牧業(塞北)」，作為賣方)與內蒙古蒙牛乳業包頭有限責任公司(「蒙牛(包頭)」，作為買方)訂立買賣協議，內容有關出售現代牧業(塞北)擁有的利樂鮮奶灌裝機常溫線及其零件，總代價為人民幣6,267,900元。蒙牛(包頭)為本公司主要股東蒙牛(集團)的附屬公司。因此，根據上市規則第14A章，蒙牛(包頭)為蒙牛的聯繫人及本公司的關連人士。



For a details of the disposal, please refer to the Company's announcement.

有關出售詳情請參閱本公司之公告。

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 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.

持續關連交易 承購供應協議

本公司於2006年開始向蒙牛集團出售原奶，而於2008年10月24日經公平磋商後，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。

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.

日期:	2008年10月24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。

REPORT OF THE DIRECTORS 董事會報告書

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 an term of 10 years commencing from 24 October 2008 and is automatically extended 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 2018 amounted to approximately RMB4,222,146,000 (2017: RMB3,304,833,000).

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2008年10月24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，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2013年5月23日的公告內披露。

於截至2018年12月31日止年度，根據承購供應協議的銷售總額約達人民幣4,222,146,000元（2017年：人民幣3,304,833,000元）。



Framework Supply Agreement

Modern Farming, 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.

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2017年6月16日的框架供應協議(經2017年11月28日的框架供應協議的修訂協議(統稱「框架供應協議」)修訂)後，現代牧業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：2017年6月16日(於2017年11月28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2019年12月31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。

REPORT OF THE DIRECTORS 董事會報告書

Effective Date:	The Framework Supply Agreement is effective on the date it was signed.	生效日期：	框架供應協議於簽訂當日生效。
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2017年12月31日止：人民幣1.8億元；
	2. From 1 January 2018 to 31 December 2018: RMB230 million;	2.	自2018年1月1日起至2018年12月31日止：人民幣2.3億元；
	3. 1 January 2019 to 31 December 2019: RMB230 million.	3.	自2019年1月1日起至2019年12月31日止：人民幣2.3億元。

The aggregate purchase of feedstuff for the year ended 31 December 2018 from Fuyuan amounted to RMB65,217,000 (2017: RMB106,519,000).

截至2018年12月31日止年度向富源採購飼料總額為人民幣65,217,000元(2017年：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2017年6月16日的框架供應及加工協議(經2017年11月28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致最佳協同效益。

Date:	16 June 2017 as amended on 28 November 2017.	日期：	2017年6月16日(於2017年11月28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2018年12月31日止。

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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);
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2017年12月31日止：人民幣239.8百萬元； b) 自2018年1月1日起 至2018年12月31日止：人民幣240百萬元。

The aggregate supply of milk products to Inner Mongolia Mengniu Group for the year ended 31 December 2018 amounted to RMB239,995,000 (2017: RMB239,307,000).

截至2018年12月31日止年度向內蒙古蒙牛集團供應乳製品總額為人民幣239,995,000元(2017年：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, the Framework Supply Agreement and Framework Supply and Processing 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 in 2017. As at the date of this report, Mengniu holds 60.76% of the issued share capital of the Company.

於2013年5月21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2013年5月21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2013年5月21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2013年5月21日起，承購供應協議、框架供應協議以及框架供應及加工協議項下擬進行的交易構成本公司的持續關連交易。於2017年，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 an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report 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.

Details of the above continuing connected transactions have been disclosed in accordance with Chapter 14A of the Listing Rules and are set out in the announcements of the Company which are available at the Stock Exchange’s website and the Company’s website at www.moderndairyir.com.

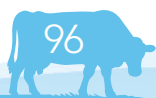
獨立非執行董事已審閱上述持續關連交易並確認上述的持續關連交易已於下列情況下訂立：

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本年報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。

有關上述持續關連交易的詳情已根據上市規則第14A章披露，並載於本公司的公告，該等公告可於聯交所網站及本公司網站www.moderndairyir.com查閱。



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, environment pollution, 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.

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 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 or currency option contracts, when necessary, to manage its foreign exchange exposure. Furthermore, with aim to tackle the risk of interest rate fluctuation, the management regularly review and assess the Group's exposure to interest rate movement and may consider entering into interest rate swap contracts or other hedging strategies when necessary.

The principal financial risks are set out in Notes 39 and 40 to the consolidated financial statements headed "Capital Risk Management" and "Financial Instrument".

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、環境污染、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。

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

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或貨幣期權合約(如需要)，以管理其外匯風險。此外，為應對利率波動的風險，管理層定期檢討及評估本集團的利率變動風險，並可考慮在必要時訂立利率掉期合約或其他對沖策略。

主要財務風險載於綜合財務報表附註39「資本風險管理」及40「金融工具」。

REPORT OF THE DIRECTORS 董事會報告書

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 2018.

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.

EVENTS AFTER THE REPORTING YEAR

Details of the significant events after 31 December 2018 of the Group are set out in Note 51 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the years ended 31 December 2018 and 2017 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, 25 March 2019

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2018年12月31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。

本匯報年度後事項

本集團於2018年12月31日後發生的重大事項載於綜合財務報表附註51。

核數師

截至2018年及2017年12月31日止年度的綜合財務報表由德勤•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，2019年3月25日



CORPORATE INFORMATION

公司資料

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. LU Minfang (*Chairman of the Board*)
Mr. WOLHARDT Julian Juul
Mr. ZHANG Ping
Mr. WEN Yongping (resigned on 15 January 2019)
Mr. ZHAO Jiejun (appointed on 15 January 2019)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

Ms. GAO Lina (*Chairman*)
Mr. WOLHARDT Julian Juul
Mr. LI Shengli
Mr. WEN Yongping (resigned on 15 January 2019)
Mr. ZHAO Jiejun (appointed on 15 January 2019)

SENIOR MANAGEMENT

Mr. CHEN Hongbo
Mr. DONG Xianli
Ms. ZHOU Xin
Mr. ZHAO Zunyang
Mr. GUO Zhigang
Mr. YANG Wenhai

AUTHORISED REPRESENTATIVES

Ms. GAO Lina
Mr. LI Kwok Fat

COMPANY SECRETARY

Mr. LI Kwok Fat (*FCPA, 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 (*董事會主席*)
WOLHARDT Julian Juul 先生
張平先生
溫永平先生 (於2019年1月15日辭任)
趙傑軍先生 (於2019年1月15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

審核委員會

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

薪酬委員會

李勝利先生 (*主席*)
張平先生
康龔先生

提名委員會

盧敏放先生 (*主席*)
李港衛先生
康龔先生

戰略及發展委員會

高麗娜女士 (*主席*)
WOLHARDT Julian Juul 先生
李勝利先生
溫永平先生 (於2019年1月15日辭任)
趙傑軍先生 (於2019年1月15日獲委任)

高級管理層

陳紅波先生
董先理先生
周欣女士
趙遵陽先生
郭志剛先生
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 (*FCPA, 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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS

As to Hong Kong Law

Cleary Gottlieb Steen & Hamilton (Hong Kong)

As to 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
Ugland House
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 109 to 274, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 the Hong Kong Companies Ordinance.

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

我們已審核載於第109至274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二零一八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 貴集團於二零一八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。

意見的基礎

我們根據香港會計師公會(「香港會計師公會」)頒佈的香港審計準則(「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 2018 and the significant degree of estimates made by the management in determining their fair values.

The Group reported milkable cows of Renminbi ("RMB") 5,636 million as at 31 December 2018. 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 42 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, 24 and 42 to the consolidated financial statements.

我們將奶牛的公平值分辨為關鍵審核事項，乃由於於二零一八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。

於二零一八年十二月三十一日，貴集團報告人民幣（「人民幣」）5,636百萬元的奶牛。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42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、24及42。

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。

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 ("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 RMB1,088 million relating to the acquisition of ADH Companies as at 31 December 2018. An impairment loss of RMB26 million was recognised during the year ended 31 December 2018.

As disclosed in notes 4 and 18 to the consolidated financial statements, goodwill impairment assessment 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 cash-generating 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。

於二零一八年十二月三十一日，貴集團報告有關收購ADH公司的商譽為人民幣1,088百萬元。減值虧損人民幣為26百萬元於截至二零一八年十二月三十一日止年度確認。

誠如綜合財務報表附註4及18所披露，商譽減值評估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現金產生單位的可收回金額。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 impairment assessment on goodwill allocated to ADH CGU included:

- 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現金產生單位的減值評估的程序包括：

- 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 26 to the consolidated financial statements, the Group recognised an impairment loss of RMB359 million during the year ended 31 December 2018 and reported trade receivables, net of impairment loss, of RMB218 million due from the Distributors as at 31 December 2018.

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26所披露，貴集團截至二零一八年十二月三十一日止年度確認減值虧損為人民幣359百萬元，及於二零一八年十二月三十一日報告應收分銷商的應收貿易賬款扣除減值虧損為人民幣218百萬元。

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 from the Distributors included:

- 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 discounted cash flows.

我們就分銷商應收貿易賬款減值評估的程序包括：

- 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，考慮貼現現金流量。

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。

**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 Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2019

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 Mak Chi Lung。

德勤•關黃陳方會計師行
執業會計師
香港
二零一九年三月二十五日

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 2018 截至二零一八年十二月三十一日止年度

		NOTES 附註	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Revenue	收入	5/6	4,956,811	4,783,801
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前的 銷售成本	8	(3,410,670)	(3,352,957)
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	8/24	(1,371,468)	(1,228,046)
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	24	(870,099)	(868,337)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	於原料奶收獲時按公平值 減銷售成本初始確認 產生的收益	24	1,371,468	1,228,046
Other income	其他收入	7	66,131	51,832
Selling and distribution costs	銷售及分銷開支		(172,256)	(372,602)
Administrative expenses	行政開支		(232,450)	(356,486)
Share of profit (loss) of associates	應佔聯營公司溢利(虧損)		24,873	(205)
Impairment losses, net of reversal	減值虧損扣除撥回	10	(367,662)	(495,381)
Other gains and losses, net	其他收益及虧損淨額	8	(138,625)	(35,716)
Other expenses	其他開支	7	(23,091)	(20,428)
Loss before finance costs and tax	除融資成本及稅項前虧損	8	(167,038)	(666,479)
Finance costs	融資成本	9	(338,622)	(328,395)
Loss before tax	除稅前虧損		(505,660)	(994,874)
Income tax (expense) credit	所得稅(開支)抵免	11	(513)	27
Loss for the year	年內虧損		(506,173)	(994,847)
Other comprehensive expense:	其他全面開支：			
Item that will not be reclassified to profit or loss:	不會重新分類為損益的 項目：			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	按公平值計入其他全面收入 的權益工具投資公平值 虧損(「按公平值計入其他 全面收入」)		(11,526)	—
Other comprehensive expense for the year, net of income tax	年內其他全面開支 (扣除所得稅)		(11,526)	—
Total comprehensive expense for the year	年內全面開支總額		(517,699)	(994,847)

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 2018 截至二零一八年十二月三十一日止年度

		NOTE 附註	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Loss for the year attributable to:	以下各方年內應佔虧損：			
Owners of the Company	本公司持有人		(496,088)	(975,116)
Non-controlling interests	非控股權益		(10,085)	(19,731)
			(506,173)	(994,847)
Total comprehensive expense for the year attributable to:	以下各方年內應佔 全面開支總額：			
Owners of the Company	本公司持有人		(507,404)	(975,116)
Non-controlling interests	非控股權益		(10,295)	(19,731)
			(517,699)	(994,847)
Loss per share (RMB)	每股虧損(人民幣)	15		
Basic	基本		(8.15) cents 分	(16.19) cents 分
Diluted	攤薄		(8.15) cents 分	(16.19) cents 分

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

AT 31 DECEMBER 2018 於二零一八年十二月三十一日

		NOTES 附註	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	16	3,920,685	4,698,736
Land use rights	土地使用權	17	117,220	125,802
Goodwill	商譽	18	1,398,589	1,424,539
Interest in associates	於聯營公司的權益	19	180,913	–
Equity instruments at FVTOCI	按公平值計入其他全面收入 的權益工具	20	2,508	–
Available-for-sale equity investment	可供出售股權投資	21	–	12,934
Biological assets	生物資產	24	7,717,113	7,751,070
			13,337,028	14,013,081
CURRENT ASSETS	流動資產			
Inventories	存貨	25	978,508	848,635
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	26	781,173	1,022,069
Land use rights	土地使用權	17	4,002	4,106
Financial assets at fair value through profit or loss	按公平值計入損益的 金融資產	22	80,424	–
Other financial assets	其他金融資產	22	–	31,704
Pledged bank balances and non-pledged bank deposits	已質押銀行結餘及未質押 銀行存款	27	61,355	131,467
Bank balances and cash	銀行結餘及現金	27	703,039	666,519
			2,608,501	2,704,500
CURRENT LIABILITIES	流動負債			
Trade and other payables	應付貿易賬款及其他應付 款項	28	2,072,363	1,905,576
Tax payable	應課稅項		322	2
Bank borrowings – due within one year	銀行借款 – 於一年內到期	29	1,691,109	1,568,181
Medium-term notes	中期票據	30	621,880	1,267,437
Corporate bonds	公司債券	31	1,087,568	39,106
Other borrowings – due within one year	其他借款 – 於一年內到期	32	1,001,111	1,106,115
Derivative financial instruments	衍生金融工具	23	17,729	–
Contract liabilities	合約負債	34	232	–
			6,492,314	5,886,417
NET CURRENT LIABILITIES	流動負債淨額		(3,883,813)	(3,181,917)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債		9,453,215	10,831,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

AT 31 DECEMBER 2018 於二零一八年十二月三十一日

		NOTES 附註	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
CAPITAL AND RESERVES	資本及儲備			
Share capital	股本	35	526,058	526,058
Share premium and reserves	股份溢價及儲備	35	5,919,237	6,443,064
Equity attributable to owners of the Company	本公司持有人應佔權益		6,445,295	6,969,122
Non-controlling interests	非控股權益		108,838	119,307
TOTAL EQUITY	總權益		6,554,133	7,088,429
NON-CURRENT LIABILITIES	非流動負債			
Bank borrowings – due after one year	銀行借款 – 於一年後到期	29	2,746,393	1,913,029
Medium-term notes	中期票據	30	–	599,458
Corporate bonds	公司債券	31	–	1,045,761
Deferred income	遞延收入	33	152,689	184,487
			2,899,082	3,742,735
			9,453,215	10,831,164

The consolidated financial statements on pages 109 to 274 were approved and authorised for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

載於第109至274頁的綜合財務報表於二零一九年三月二十五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 2018 截至二零一八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 Schemes	FVTOCI reserve	Retained earnings	Sub-total	Non-controlling interests	Total
		股本	股份溢價	其他儲備	購股權儲備	股份獎勵儲備	股份獎勵計劃項下所持有的股份	按公平值計入其他儲備	保留盈利	小計	非控股權益	合計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	人民幣千元
				(note 35) (附註35)		(note 36(c)) (附註36(c))	(note 36(c)) (附註(c))					
At 1 January 2017	於二零一七年一月一日	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)
Share issued (note 35)	已發行股份(附註35)	43,157	807,037	-	-	-	-	-	-	850,194	-	850,194
Acquisition of non-controlling interest (note 37(a))	收購非控股權益(附註37(a))	29,942	541,961	(555,297)	-	-	-	-	-	16,606	(14,807)	1,799
Deemed acquisition of non-controlling interests (note 37(b))	視作收購非控股權益(附註37(b))	-	-	(50,502)	-	-	-	-	-	(50,502)	50,502	-
Share purchase for the Share Award scheme (note 36(c))	就股份獎勵計劃的股份購買(附註36(c))	-	-	-	-	-	(713)	-	-	(713)	-	(713)
Recognition of equity-settled share-based payment (notes 36(a) and 36(c))	確認按股權結算以股份支付的付款(附註36(a)及36(c))	-	-	-	92,623	14,517	-	-	-	107,140	-	107,140
Transfer due to cancellation of share options (note 36(a))	因購股權註銷而轉撥(附註36(a))	-	-	-	(204,543)	-	-	-	204,543	-	-	-
Capital contribution from non-controlling interests	非控股權益出資	-	-	-	-	-	-	-	-	-	1,960	1,960
At 31 December 2017	於二零一七年十二月三十一日	526,058	4,641,066	979,953	5,286	14,517	(62,137)	-	864,379	6,969,122	119,307	7,088,429
Adjustment (note 2)	調整(附註2)	-	-	-	-	-	-	(11,802)	10,316	(1,486)	(174)	(1,660)
At 1 January 2018 (restated)	於二零一八年一月一日(經重列)	526,058	4,641,066	979,953	5,286	14,517	(62,137)	(11,802)	874,695	6,967,636	119,133	7,086,769
Loss for the year	年內虧損	-	-	-	-	-	-	-	(496,088)	(496,088)	(10,085)	(506,173)
Other comprehensive expense for the year	年內其他全面開支	-	-	-	-	-	-	(11,316)	-	(11,316)	(210)	(11,526)
Total comprehensive expense for the year	年內全面開支總額	-	-	-	-	-	-	(11,316)	(496,088)	(507,404)	(10,295)	(517,699)
Share purchase for the Share Award Schemes (note 36(c))	就股份獎勵計劃的股份購買(附註36(c))	-	-	-	-	-	(23,583)	-	-	(23,583)	-	(23,583)
Recognition of equity-settled share-based payment (note 36(c))	確認按股權結算以股份支付的付款(附註36(c))	-	-	-	-	8,646	-	-	-	8,646	-	8,646
At 31 December 2018	於二零一八年十二月三十一日	526,058	4,641,066	979,953	5,286	23,163	(85,720)	(23,118)	378,607	6,445,295	108,838	6,554,133

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

	NOTES 附註	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
OPERATING ACTIVITIES	經營活動		
Loss before tax	除稅前虧損	(505,660)	(994,874)
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	8	344,722
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	8	–
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	10	495,381
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	8	12,021
Impairment loss on goodwill	商譽減值虧損	8	–
Release of land use rights	土地使用權解除	8	4,106
Bank interest income	銀行利息利入	7	(8,166)
Government grants credited to income	入賬於收入的政府補貼	7	(17,844)
Finance costs	融資成本	9	328,395
Share of (profit) loss of associates	應佔聯營公司(溢利)虧損		205
Loss on disposal of interest in an associate	出售聯營公司權益的虧損	8	239
Gains on disposal of subsidiaries	出售附屬公司收益	8/38	–
(Gains) losses on fair value changes of financial assets at fair value through profit or loss	按公平值計入損益的金融資產公平值變動(收益)虧損	8	1,949
Fair value loss from settlement of Modified Considerations	結清經修訂代價的公平值虧損	8/35	15,361
Loss from disposal of inventories	出售存貨虧損	8	5,134
Loss from disposal of property, plant and equipment	出售物業、廠房及設備的虧損	8	11,268
Gains on derecognition of financial liabilities	取消確金融負債所得收益	8	(57)
Net foreign exchange loss (gain) from borrowings	來自借款的外匯虧損(收益)淨額		(13,580)
Equity-settled share option expense	以股權結算的購股權開支	8	92,623
Equity-settled share award expense	以股權結算的股份獎勵開支	8	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	24	868,337
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	1,484,883	1,159,737
(Increase) decrease in inventories	存貨(增加)減少	(100,322)	100,667
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	(261,521)	(182,836)
Increase (decrease) in trade and other payables	應付貿易賬款及其他付款項增加(減少)	283,300	(576,683)
Decrease in contract liabilities	合約負債減少	(116)	–
Cash generated from operations	業務產生的現金	1,406,224	500,885
Income tax paid	已付所得稅	(193)	(28)
NET CASH FROM OPERATING ACTIVITIES	經營活動所得現金淨額	1,406,031	500,857

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

		NOTES 附註	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
INVESTING ACTIVITIES	投資活動			
Interest received	已收取利息		10,785	8,716
Purchases of property, plant and equipment	購入物業、廠房及設備		(424,087)	(387,941)
Investment in an equity instrument	權益工具投資		(1,100)	-
Investment in associates	於聯營公司的投資		(100,000)	-
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		(1,161,254)	(1,215,777)
Addition in pledged bank balances	已質押銀行結餘增加		(39,875)	(112,244)
Release of pledged bank balances	已質押銀行結餘解除		94,987	120,651
Addition in non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月無抵押銀行存款增加		-	(15,000)
Release of non-pledged bank deposits with original maturity of more than three months	原到期日超過三個月無抵押銀行存款解除		15,000	231,750
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		14,371	15,849
Purchases of land use rights	購買土地使用權		-	(3,323)
Proceeds from disposal of dairy cows	出售乳牛所得款項		609,246	434,254
Settlement of cash portion of Modified Considerations	結清經修訂代價現金部分	35	-	(92,099)
Net cash received from foreign currency forward	外匯遠期所收取現金淨額		-	9,287
Net cash outflow on disposal of subsidiaries	出售附屬公司的現金流出淨額	38	(91,560)	-
Government grants received	已獲取政府補貼		11,899	31,729
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用現金淨額		(1,061,588)	(972,705)

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
	NOTE 附註		
FINANCING ACTIVITIES	融資活動		
Interest paid	已付利息	(364,778)	(340,468)
New bank borrowings raised	新籌得銀行借款	2,679,840	3,350,066
Repayment of bank borrowings	借款償還款項	(1,470,974)	(3,711,270)
Proceeds from issue of short-term debentures	發行短期債券所得款項	-	500,000
Proceeds from corporate bond	公司債券所得款項	-	800,000
Proceeds from other borrowings	其他借款所得款項	1,500,000	1,105,400
Proceeds from discounting bills receivable	應收票據貼現所得款項	81,845	-
Payment of transaction cost for bank borrowings and corporate bond	支付銀行借款及公司債券的交易成本	-	(40,939)
Repayment of short-term debentures	短期債券償還款項	-	(1,300,000)
Repayment of medium-term notes	中期票據償還款項	(1,200,000)	-
Repayment of other borrowings	償還其他借款	(1,510,273)	(79,257)
Payment for repurchase of ordinary shares	購回普通股的付款	(23,583)	(713)
Capital contribution from non-controlling interests	非控股權益出資	-	1,960
Cash acquired from acquisition of non-controlling interests	收購非控股權益的所得現金	-	1,800
	37(a)		
NET CASH (USED IN) FROM FINANCING ACTIVITIES	融資活動(所用)所得現金淨額	(307,923)	286,579
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	現金及現金等價物增加(減少)淨額	36,520	(185,269)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	年初的現金及現金等價物	666,519	851,788
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	703,039	666,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八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, KYI-1104, Cayman Islands. The principal place of business of the Company is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”). As at 31 December 2018, 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”).

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, KYI-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。於二零一八年十二月三十一日，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」)。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

1. GENERAL AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of preparation of consolidated financial statements

In preparation of the consolidated financial statements for the year ended 31 December 2018, 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 RMB506,173,000 for the year ended 31 December 2018 (2017: RMB994,847,000) and, as of that date, the Group's current liabilities exceeded its total current assets by RMB3,883,813,000 (2017: RMB3,181,917,000). Having considered the available credit facilities of approximately RMB4,954,736,000 which remains unutilised as at 31 December 2018, 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. These facilities include a facility of HK\$1,500,000,000 (equivalent to RMB1,314,300,000) under a facility agreement with several banks expiring in September 2021 and a facility of RMB500,000,000 from Inner Mongolia Mengniu Dairy (Group) Company Limited ("Inner Mongolia Mengniu") expiring in May 2020 (note 46(d)). 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(續)

綜合財務報表的編製基準

在編製截至二零一八年十二月三十一日止年度的綜合財務報表時，鑒於本集團截至二零一八年十二月三十一日止年度產生虧損淨額人民幣506,173,000元(二零一七年：人民幣994,847,000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3,883,813,000元(二零一七年：人民幣3,181,917,000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。經考慮於二零一八年十二月三十一日的可供動用信貸融資約人民幣4,954,736,000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。該等融資包括根據與若干銀行訂立的融資協議(於二零二一年九月屆滿)為1,500,000,000港元(相當於人民幣1,314,300,000元)的融資，及來自內蒙古蒙牛乳業(集團)股份有限公司(「內蒙古蒙牛」)為人民幣500,000,000元融資(二零二零年五月屆滿)(附註46(d))。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 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year.

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IAS 28	<i>As part of the Annual Improvements to IFRSs 2014–2016 Cycle</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>

Except as described below, the application of the new and 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.

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新訂及經修訂國際財務報告準則

本集團於本年度首次應用以下由國際會計準則理事會(「國際會計準則理事會」)頒佈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
國際財務報告準則第15號	客戶合約收入及相關修訂
國際財務報告詮釋委員會詮釋第22號	外幣交易及預付代價
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
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
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
國際會計準則第40號的修訂	轉讓投資物業

除下文所述者外，於本年度應用新訂及經修訂國際財務報告準則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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

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

Information about the Group’s performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.1 國際財務報告準則第15號客戶合約收入

於本年度，本集團已首次應用國際財務報告準則第15號。國際財務報告準則第15號取代國際會計準則第18號收入、國際會計準則第11號建築合約及其相關詮釋。

本集團已追溯應用國際財務報告準則第15號，初步應用此準則的累計影響於初步應用日期二零一八年一月一日確認。於初步應用日期的任何差額於期初的保留盈利(或權益的其他組成部分(倘適用))確認且比較資料尚未重列。此外，根據國際財務報告準則第15號的過渡條文，本集團已選擇將準則僅追溯應用於二零一八年一月一日尚未完成的合約。因此，若干比較資料無可比性，因為比較資料乃根據國際會計準則第18號收入、國際會計準則第11號建築合約以及其相關詮釋編製。

本集團確認以下來自客戶合約的主要來源收入：

- 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。

有關本集團因應用國際財務報告準則第15號而產生的履約義務及會計政策的資料分別於附註5及3披露。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of IFRS 15

The transition to IFRS 15 does not have impact on the Group's retained earnings at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.1 國際財務報告準則第15號客戶合約收入(續)

初步應用國際財務報告準則第15號產生的影響概要

過渡至國際財務報告準則第15號並不對本集團於二零一八年一月一日的保留盈利產生影響。

於二零一八年一月一日對綜合財務狀況表確認的金額作出以下調整。概無受變動影響的項目並無包括在內。

	Carrying Amounts previously reported at 31 December 2017	Reclassification	Carrying Amounts under IFRS 15 at 1 January 2018
	於二零一七年 十二月三十一日 過往呈報的 賬面金額 RMB'000 人民幣千元	重新分類 RMB'000 人民幣千元	於二零一八年 一月一日 根據國際財務 報告準則 第15號的 賬面金額 RMB'000 人民幣千元
Note			
附註			

Current Liabilities	流動負債				
Trade and other payables	應付貿易賬款及 其他應付款項	28	1,905,576	(348)	1,905,228
Contract liabilities	合約負債		-	348	348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 Revenue from Contracts with Customers

(continued)

Summary of effects arising from initial application of IFRS 15 (continued)

The following table summarises the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the year then ended for each of the line items affected. There is no impact of applying IFRS 15 on the consolidated statement of profit and loss and other comprehensive income for the current year. Line items that were not affected by the changes have not been included.

Impacts on the consolidated statement of financial position

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.1 國際財務報告準則第15號客戶合約收入(續)

初步應用國際財務報告準則第15號產生的影響概要(續)

下表概述應用國際財務報告準則第15號對本集團於二零一八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現金流量表內各項受影響的項目的影響。於本年度，應用國際財務報告準則第15號對綜合損益及其他全面收益表並無影響。概無受變動影響的項目並無包括在內。

對綜合財務狀況表的影響

			Amount without application of IFRS 15
	As reported	Adjustments	概無應用國際 財務報告準則 第15號的金額
	所列金額	調整	RMB'000
Notes 附註	RMB'000 人民幣千元	RMB'000 人民幣千元	人民幣千元
Current Liabilities			
流動負債			
Trade and other payables	應付貿易賬款及 其他應付款項	28	2,072,363
Contract liabilities	合約負債	34	232
			232
			(232)
			2,072,595
			-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.1 IFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of IFRS 15 (continued)

Impacts on the consolidated statement of cash flows

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.1 國際財務報告準則第15號客戶合約收入(續)

初步應用國際財務報告準則第15號產生的影響概要(續)

對綜合現金流量表的影響

	As reported	Adjustments	Amount without application of IFRS 15
	所列金額	調整	概無應用國際財務報告準則第15號的金額
	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元
OPERATING ACTIVITIES			
Increase in trade and other payables	283,300	(116)	283,184
Decrease in contract liabilities	(116)	116	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.2 國際財務報告準則第9號金融工具

於本年度，本集團已應用國際財務報告準則第9號金融工具及其他國際財務報告準則的相應修訂。國際財務報告準則第9號就1) 金融資產及金融負債的分類及計量、2) 金融資產的預期信貸虧損(「預期信貸虧損」)及3) 一般對沖會計處理引入新規定。

本集團已根據國際財務報告準則第9號所載的過渡條文應用國際財務報告準則第9號，即對二零一八年一月一日(首次應用日期)尚未取消確認的工具追溯應用分類及計量規定(包括預期信貸虧損模式下的減值)，而並無對已於二零一八年一月一日取消確認的工具應用相關規定。於二零一七年十二月三十一日的賬面值與於二零一八年一月一日的賬面值之間的差額於期初保留盈利及權益的其他部分確認，比較資料不予重列。

因此，若干比較資料無可比性，因為比較資料乃與根據國際會計準則第39號金融工具：確認及計量編製。

應用國際財務報告準則第9號產生的會計政策披露於附註3。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 Financial Instruments (continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.2 國際財務報告準則第9號金融工具(續)

初步應用國際財務報告準則第9號產生的影響概要

下表說明於首次應用日期二零一八年一月一日，根據國際財務報告準則第9號及國際會計準則第39號項下金融資產及金融負債的分類及計量。

		Available-for-sale equity investment	Equity instruments at FVTOCI	Financial asset at amortised cost (previously classified as loans and receivables)	FVTOCI reserve	Retained earnings	Non-controlling interests
		可供出售權益投資	按公平值計入其他全面收入的權益工具	按攤銷成本計量的金融資產(先前分類為貸款及應收款項)	公平值計入其他全面收入的儲備	保留盈利	非控股權益
		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
Closing balance at 31 December 2017 – IAS 39	於二零一七年十二月三十一日的期末結餘 – 國際會計準則第39號	12,934	-	-	-	(864,379)	(119,307)
Reclassification	重新分類						
From available-for-sale (“AFS”)	轉撥自可供出售(「可供出售」)	(i) (12,934)	12,934	-	11,802	(11,802)	-
From loans and receivables	自貸款及應收款項	-	-	1,701,003	-	-	-
Remeasurement	重新計量						
Impairment under ECL model	預期信貸虧損模式下的減值	(ii) -	-	(1,660)	-	1,486	174
Opening balance at 1 January 2018	於二零一八年一月一日的期初結餘	-	12,934	1,699,343	11,802	(874,695)	(119,133)

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 Financial Instruments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

- (i) AFS investment
From AFS equity investment to FVTOCI

The Group elected to present in other comprehensive income (“OCI”) for the fair value changes of all its equity investment previously classified as AFS. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB12,934,000 were reclassified from AFS equity investment to equity instrument at FVTOCI, which related to unquoted equity investment previously measured at cost less impairment under IAS 39. At 1 January 2018, the fair value of the equity investment approximate its carrying amount at 31 December 2017 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. In addition, impairment losses previously recognised of RMB11,802,000 were transferred from retained earnings to FVTOCI reserve as at 1 January 2018.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.2 國際財務報告準則第9號金融工具(續)

初步應用國際財務報告準則第9號產生的影響概要(續)

- (i) 可供出售投資
從可供出售權益投資轉為公平值計入其他全面收入
本集團選擇將其先前分類為可供出售的全部權益投資的公平值變動於其他全面收入(「其他全面收入」)中列賬。該投資並非持作買賣，且預計不會於可預見未來出售。於首次應用國際財務報告準則第9號當日，人民幣12,934,000元由可供出售權益投資重新分類為按公平值計入其他全面收入的權益投資，其與先前根據國際會計準則第39號按成本減減值計量的未報價權益投資有關。於二零一八年一月一日，權益投資的公平值與其於二零一七年十二月三十一日的賬面值相若，於首次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任何公平值調整。此外，先前確認的減值虧損人民幣11,802,000元於二零一八年一月一日自保留盈利轉撥至公平值計入其他全面收入的儲備。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.2 IFRS 9 Financial Instruments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

(ii) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which use lifetime ECL for all trade receivables. To measure ECL, trade receivables are assessed individually for debtors of dairy farming and debtors of liquid milk products with significant balances or collectively using a provision matrix with groupings based on aging.

Loss allowance for other financial assets at amortised cost mainly comprised of pledged bank balances, non-pledged bank deposits, bank balances and other receivables, are measured on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance for trade receivables of RMB1,660,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.2 國際財務報告準則第9號金融工具(續)

初步應用國際財務報告準則第9號產生的影響概要(續)

(ii) 預期信貸虧損模式下的減值

本集團應用國際財務報告準則第9號的簡化方法計量預期信貸虧損，就所有應收貿易賬款採用全期預期信貸虧損計量。為計量預期信貸虧損，應收貿易賬款對仍有重大結餘的奶牛養殖債務人及液態奶產品債務人進行個別評估或根據賬齡採用撥備矩陣進行集體評估。

按攤銷成本計量的其他金融資產(主要包括已質押銀行結餘、未質押銀行存款、銀行結餘以及其他應收款項)的虧損撥備乃按12個月預期信貸虧損(「12個月預期信貸虧損」)基準計量，因信貸風險自首次確認起並無顯著增加。

於二零一八年一月一日，應收貿易賬款額外信貸虧損撥備人民幣1,660,000元已於保留盈利中確認。額外虧損撥備於有關資產中支銷。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.3 應用所有新訂準則對期初綜合財務狀況表產生的影響

由於上述本集團會計政策有變，期初綜合財務狀況表須作重列。下表列示就各個受影響個別項目確認的調整。概無受變動影響的項目並無包括在內。

		31 December 2017 (Audited) 二零一七年 十二月三十一日 (經審核) RMB'000 人民幣千元	IFRS 15 國際財務 報告準則 第15號 RMB'000 人民幣千元	IFRS 9 國際財務 報告準則 第9號 RMB'000 人民幣千元	1 January 2018 (Restated) 二零一八年 一月一日 (經重列) RMB'000 人民幣千元
Non-current Assets	非流動資產				
AFS equity investments	可供出售權益投資	12,934	-	(12,934)	-
Equity instruments at FVTOCI	按公平值計入其他全面收入的權益工具	-	-	12,934	12,934
Current Assets	流動資產				
Trade and other receivables	應收貿易賬款及其他應收款項	1,022,069	-	(1,660)	1,020,409
Current Liabilities	流動負債				
Contract liabilities	合約負債	-	(348)	-	(348)
Trade and other payables	應付貿易賬款及其他應付款項	(1,905,576)	348	-	(1,905,228)
Capital and Reserves	資本及儲備				
Retained earnings	保留盈利	(864,379)	-	(10,316)	(874,695)
FVTOCI reserve	按公平值計入其他全面收入儲備	-	-	11,802	11,802
Non-controlling interests	非控股權益	(119,307)	-	174	(119,133)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(a) New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards (continued)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

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

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

IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ³
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to IFRS 3	<i>Definition of a Business</i> ⁴
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ⁵
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2015–2017 Cycle</i> ¹

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)

(a) 於本年度強制生效的新訂及經修訂國際財務報告準則(續)

2.3 應用所有新訂準則對期初綜合財務狀況表產生的影響(續)

附註：截至二零一八年十二月三十一日止年度，就根據間接法報告經營活動的現金流量而言，營運資金變動已按於二零一八年一月一日的初始綜合財務狀況表計算，如上文披露。

(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16號	<i>租賃</i> ¹
國際財務報告準則第17號	<i>保險合約</i> ³
國際財務報告詮釋委員會詮釋第23號	<i>所得稅不確定性的處理</i> ¹
國際財務報告準則第3號的修訂	<i>業務定義</i> ⁴
國際財務報告準則第9號的修訂	<i>具有負補償的提前還款特性</i> ¹
國際財務報告準則第10號及國際會計準則第28號的修訂	<i>投資者與其聯營公司或合營公司之間的資產銷售或投入</i> ²
國際會計準則第1號及國際會計準則第8號的修訂	<i>重大的定義</i> ⁵
國際會計準則第19號的修訂	<i>計劃修訂、縮減或清償</i> ¹
國際會計準則第28號的修訂	<i>於聯營公司及合營企業的長期權益</i> ¹
國際財務報告準則的修訂	<i>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)</i> ¹

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(b) New and Amendments to IFRSs in issue but not yet effective (continued)

1. Effective for annual periods beginning on or after 1 January 2019
2. Effective for annual periods beginning on or after a date to be determined
3. Effective for annual periods beginning on or after 1 January 2021
4. Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5. Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRS mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

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)

1. 於二零一九年一月一日或之後開始的年度期間生效
2. 於待定日期或之後開始的年度期間生效
3. 於二零二一年一月一日或之後開始的年度期間生效
4. 對收購日期為二零二零年一月一日或之後開始的首個年度期間初或之後的業務合併及資產收購生效
5. 於二零二零年一月一日或之後開始的年度期間生效

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。此外，國際財務報告準則第16號規定售後租回交易根據國際財務報告準則第15號有關轉讓相關資產是否應作為銷售入賬的規定而釐定。國際財務報告準則第16號亦包括有關分租及租賃修改的規定。

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(b) New and Amendments to IFRSs in issue but not yet effective (continued)

IFRS 16 Leases (continued)

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 as investing cash flows in relation to land use rights for owned use 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 presented as financing cash flows by the Group.

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.

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)

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。就現金流量分類而言，本集團目前將前期預付租賃款項呈列為與自用土地使用權有關的投資現金流量，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營運現金流量的本金及利息的部分。

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。

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2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(b) New and Amendments to IFRSs in issue but not yet effective (continued)

IFRS 16 Leases (continued)

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB57,763,000 as disclosed in note 43. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon 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.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

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)

此外，國際財務報告準則第16號要求作出詳盡披露。

於二零一八年十二月三十一日，本集團擁有不可撤銷經營租賃承擔人民幣57,763,000元(如附註43所披露)。初步評估顯示此等安排符合租賃的定義。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。

應用新規定可能導致上文列示的計量、呈列及披露有變。本集團擬選擇可行權宜方法，就先前應用國際會計準則第17號及國際(國際財務報告詮釋委員會)－詮釋第4號釐定安排是否包括租賃識別為租賃的合約應用國際財務報告準則第16號，而並無對先前應用國際會計準則第17號及國際(國際財務報告詮釋委員會)－詮釋第4號並未識別為包括租賃的合約應用該準則。因此，本集團將不會重新評估合約是否為或是否包括於首次應用日期前已存在的租賃。此外，本集團(作為承租人)擬選擇經修訂追溯法應用國際財務報告準則第16號，並將確認首次應用對期初保留盈利的累計影響，比較資料不予重列。

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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 on the historical cost basis except for: (i) biological assets, which are measured at fair value less costs to sell, (ii) equity instruments at FVTOCI, and (iii) 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*.

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.

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；(ii)按公平值計入其他全面收入的權益工具；及(iii)按公平值計入損益（「按公平值計入損益」）的金融工具按各報告期末的公平值計量除外（如下文所載會計政策所闡釋）。

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

For financial instruments which are transacted 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.

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:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- 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.

3. 重要會計政策(續)

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。

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：

- 可對被投資者行使權力；
- 因參與被投資者的業務而可獲得或有權獲得可變回報；及
- 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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Basis of consolidation (continued)

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. 重要會計政策(續)

綜合基準(續)

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。

於附屬公司的非控股權益與本集團於當中的權益分開呈列，指現時擁有的權益且賦予持有人權利於清盤時按比例分佔相關附屬公司淨資產。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

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 ("CGUs") (or groups of CGUs) 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.

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益出現變動

倘若本集團失去對附屬公司的控制權，該附屬公司的資產及負債及非控股權益(如有)終止確認，則收益或虧損於損益內確認且以下列兩者間的差額計算(i)所收代價的公平值與任何保留權益的公平值總和及(ii)資產(包括商譽)的先前賬面值與本公司擁有人應佔附屬公司的負債。過往在有關附屬公司的其他全面收益確認的所有金額均入賬，猶如本集團已直接出售附屬公司的相關資產或負債(即按適用的國際財務報告準則具體規定/准許重新分類至損益或轉移至其他股本類別)。於失去控制權日期時，前附屬公司所保留任何投資的公平值則視為首次確認聯營公司投資的成本。

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(「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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Goodwill (continued)

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when 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 CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investment in associates

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 associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates 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.

3. 重要會計政策(續)

商譽(續)

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。倘可收回金額低於其賬面值，則先分配減值虧損以減少任何商譽的賬面值，再按該單位(或現金產生單位組合)內每項資產的賬面值按比例分配至其他資產。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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investment in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, 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.

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 IFRS 9/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.

3. 重要會計政策(續)

於聯營公司的投資(續)

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。收購聯營公司投資時，任何投資成本超過本集團分佔被投資方可認別資產及負債公平值淨額會確認為商譽，並計入該項投資的賬面值。

本集團評估是否有客觀證據顯示於一間聯營公司的權益有可能減值。當有任何客觀證據，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。

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財務報告準則第9號／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。

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綜合財務報表附註

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. 重要會計政策(續)

客戶合約收入(根據附註2的過渡條文應用國際財務報告準則第15號)

根據國際財務報告準則第15號，於或當本集團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。

履約責任指可區分的單一商品或服務(或組合商品或服務)或大致相同的一系列可區分商品或服務。

倘滿足以下其中一項標準，則控制權隨著時間而轉移，並參考完全達成相關履約責任的進度隨著時間確認收入：

- 客戶同時收取並使用本集團履約所帶來的利益；
- 本集團的履約增設並增加於本集團履約時客戶所控制的資產；或
- 本集團的履約並無增設對本集團有額外用途的資產，而本集團有強制執行權利收取迄今已完成的履約付款。

否則，收入於客戶取得可區分商品或服務的控制權的時點確認。

合約負債指本集團有義務將其已向客戶收取代價(或到期的代價金額)的商品或服務轉移至客戶的責任。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue recognition (prior to 1 January 2018)

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.

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.

3. 重要會計政策(續)

收入確認(於二零一八年一月一日前)

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

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.

3. 重要會計政策(續)

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Government grants

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

Grants relating to biological assets

An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised in profit or loss when, and only when, the government grant becomes receivable.

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.

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.

3. 重要會計政策(續)

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。

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Retirement benefit costs (continued)

Short-term employee benefits (continued)

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.

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 options 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 options reserve or share award reserve.

When share options are exercised, the amount previously recognised in share options 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 options 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.

3. 重要會計政策(續)

退休福利成本(續)

短期僱員福利(續)

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payment arrangements (continued)

Equity-settled share-based payment transactions (continued)

Share options and award shares granted to employees

(continued)

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, ie 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and 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.

3. 重要會計政策(續)

以股份支付的付款安排(續)

按股權結算以股份支付的付款交易(續)

授予僱員的購股權及獎勵股份(續)

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。

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。由於其他年度的應課稅或可扣稅收入或開支及毋須課稅或不可扣稅的項目，故應課稅溢利與除稅前溢利／虧損不同。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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Taxation (continued)

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 associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

3. 重要會計政策(續)

稅項(續)

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Taxation (continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. 重要會計政策(續)

稅項(續)

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。

當有合法執行權利許可將即期稅項資產與即期稅項負債抵銷，且與同一稅務機關徵收之所得稅有關且本集團擬按淨額基準結算其即期稅項資產及負債時，則遞延稅項資產及負債可互相對銷。

即期及遞延稅項於損益中確認，惟在其與於其他全面收入或直接於權益內確認的項目有關的情況下，即期及遞延稅項亦會分別於其他全面收入或直接於權益內確認。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment

Property, plant and equipment (other than construction in progress) including buildings held for use in the production or supply of goods, or 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.

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).

3. 重要會計政策(續)

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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on tangible assets (continued)

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs or otherwise they are allocated to the smallest group of CGUs 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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. 重要會計政策(續)

有形資產減值(續)

有形資產的可收回金額會個別估計。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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. 重要會計政策(續)

存貨

存貨乃按成本與可變現淨值兩者中的較低者列賬。存貨成本以加權平均法釐定。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。

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。所有以常規途徑購入或銷售的金融資產乃按交易日期基準確認及取消確認。常規途徑購入或銷售指根據市場法規或慣例所確定的時間框架內交付資產的金融資產購入或銷售。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. 重要會計政策(續)

金融工具(續)

金融資產及金融負債初步按公平值計量，惟產生自與客戶合約的應收貿易賬款(自二零一八年一月一日起初步按國際財務報告準則第15號計量)除外。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。

實際利率法乃計算金融資產或金融負債的攤銷成本以及於有關期間分配利息收入及利息開支的方法。實際利率乃於初步確認時按金融資產或金融負債的預計可使用年期或(如適用)較短期間內準確貼現估計未來現金收入及款項(包括構成實際利率不可或缺部分的所有已付或已收費用及積分、交易成本及其他溢價或貼現)至賬面淨值的利率。

金融資產

金融資產的分類及計量(根據附註2的過渡條文應用國際財務報告準則第9號)

滿足以下條件的金融資產其後按攤銷成本計量：

- 於目的為收取合約現金流量的業務模式下持有金融資產；及
- 合約條款於特定日期產生的現金流量純粹為支付本金及尚未償還本金的利息。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及計量(根據附註2的過渡條文應用國際財務報告準則第9號)(續)

滿足以下條件的金融資產其後按公平值計入其他全面收入的方式計量:

- 於目的為同時收取合約現金流量及出售的業務模式下持有金融資產;及
- 合約條款於特定日期產生的現金流量純粹為支付本金及尚未償還本金的利息。

所有其他金融資產其後按公平值計入損益的方式計量,惟以下情況另當別論,於首次應用/首次確認金融資產當日,倘權益投資並非持作買賣,亦非由收購方在國際財務報告準則第3號業務合併所適用的業務合併中確認的或然代價,則本集團可能會不可撤銷地選擇於其他全面收入中呈列有關權益投資的其後公平值變動。

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。

此外,本集團或會不可撤銷地需要按攤銷成本計量或按公平值計入其他全面收入準則的金融資產指定為按公平值計入損益的方式計量,前提為此舉可消除或大幅減少會計錯配。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及計量(根據附註2的過渡條文應用國際財務報告準則第9號)
(續)

(i) 攤銷成本及利息收入

其後按攤銷成本計量的金融資產的利息收入乃使用實際利息法予以確認。利息收入乃對一項金融資產賬面總值應用實際利率予以計算，惟其後出現信貸減值的金融資產除外(見下文)。就其後出現信貸減值的金融資產而言，自下一報告期起，利息收入乃對金融資產攤銷成本應用實際利率予以確認。倘信貸減值金融工具的信貸風險好轉，使金融資產不再出現信貸減值，於釐定資產不再出現信貸減值後，自報告期開始起利息收入乃對金融資產賬面總值應用實際利率予以確認。

(ii) 指定為按公平值計入其他全面收入的權益工具

按公平值計入其他全面收入的權益工具投資其後按公平值計量，其公平值變動產生的收益及虧損於其他全面收入確認並於按公平值計入其他全面收入的儲備中累計，而毋須作減值評估。累計收益或虧損將不會重新分類至出售權益投資的損益，並將轉撥至保留盈利。

當本集團確立獲得股息的權利時，該等權益工具投資的股息於損益中確認，惟股息明確表示收回部分投資成本則除外。股息計入損益「其他收入」項下。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses, net" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, pledged bank balances, non-pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及計量(根據附註2的過渡條文應用國際財務報告準則第9號)
(續)

(iii) 按公平值計入損益的金融資產不符合按攤銷成本或按公平值計入其他全面收入的方式計量或指定為按公平值計入其他全面收入的準則的金融資產，按公平值計入損益的方式計量。

按公平值計入損益的金融資產按各報告期末的公平值計量，任何公平值收益或虧損則於損益中確認。於損益確認的收益或虧損淨額計入「其他收益及虧損淨額」項下。

金融資產減值(根據附註2的過渡條文應用國際財務報告準則第9號)

本集團就根據國際財務報告準則第9號須予減值的金融資產(包括應收貿易賬款及其他應收款項、已質押銀行結餘、未質押銀行存款及銀行結餘)的預期信貸虧損確認虧損撥備。預期信貸虧損金額於各報告日期更新，以反映自首次確認以來的信貸風險變動。

全期預期信貸虧損指於相關工具的預期年期內所有可能發生的違約事件產生的預期信貸虧損。反之，12個月預期信貸虧損指預期將於報告日期後12個月內可能發生的違約事件產生的部分全期預期信貸虧損。評估乃根據本集團的過往信貸虧損經驗進行，並根據債務人特有的因素、整體經濟狀況以及對報告日期當時狀況及未來狀況預測的評估作出調整。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors of dairy farming and debtors of liquid milk products with significant balances or collectively using a provision matrix with groupings based on aging.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

- (i) Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用國際財務報告準則第9號)(續)

本集團始終就應收貿易賬款確認全期預期信貸虧損。該等資產的預期信貸虧損對仍有重大結餘的奶牛養殖債務人及液態奶產品債務人進行個別評估或根據賬齡分組採用撥備矩陣進行集體評估。

就所有其他工具而言，本集團計量虧損撥備等於12個月預期信貸虧損，除非自初始確認後信貸風險顯著增加，則本集團確認全期預期信貸虧損。評估全期信貸虧損是否應確認乃基於自初始確認以來發生違約或風險的可能性顯著增加。

- (i) 信貸風險顯著增加
於評估信貸風險自首次確認以來是否已顯著增加時，本集團將於報告日期金融工具存在的違約風險與於首次確認日期金融工具存在的違約風險進行比較。在進行該評估時，本集團會計及合理可靠的定量及定性資料，包括過往經驗及毋須承擔過多成本或付出過多精力即可獲得的前瞻性資料。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increase significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用國際財務報告準則第9號)(續)

(i) 信貸風險顯著增加(續)

尤其是，評估信貸風險是否顯著增加時會計及下列資料：

- 金融工具外部(倘可獲得)或內部信貸評級實際或預期出現嚴重降級；
- 外部市場信貸風險指標出現顯著惡化，例如信貸息差大幅擴大、債務人的信貸違約掉期價格大幅上升；
- 預期將導致債務人還債能力大幅下降的業務、財務或經濟狀況的現有或預測不利變化；
- 債務人經營業績的實際或預期顯著惡化；
- 導致債務人還債能力大幅下降的債務人監管、經濟或技術環境的實際或預期重大不利變化。

不論上述評估的結果如何，本集團認為，倘合約付款逾期超過30日，則信貸風險自首次確認以來已顯著增加，惟本集團有合理可靠的資料加以證明則當別論。

本集團定期監察用以確定信貸風險曾否顯著增加的標準的成效，並於適當時候作出修訂，從而確保有關標準能夠於款項逾期前確定信貸風險顯著增加。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用國際財務報告準則第9號)(續)

(ii) 違約定義

就內部信貸風險管理而言，本集團認為，違約事件在內部制訂或得自外界來源的資料顯示債務人不大可能悉數向債權人(包括本集團)還款(未計及本集團所持任何抵押品)時發生。

不論上文為何，本集團都認為，已於金融資產逾期超過90日後發生違約，惟本集團有合理及具理據資料來顯示更加滯後的違約標準更為恰當。

(iii) 信用減值金融資產

金融資產在一項或以上違約事件(對該金融資產估計未來現金流量構成不利影響)發生時維持信用減值。金融資產維持信用減值的證據包括有關以下事件的可觀察數據：

- (a) 發行人或借款人的重大財務困難；
- (b) 違反合約(如違約或逾期事件)；
- (c) 借款人的貸款人因有關借款人財務困難的經濟或合約理由而向借款人批出貸款人不會另行考慮的優惠；
- (d) 借款人將可能陷入破產或其他財務重組；或
- (e) 由於財務困難導致於金融資產活躍市場消失。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on aging basis.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用國際財務報告準則第9號)(續)

(iv) 撇銷政策

資料顯示對手方處於嚴重財困及無實際收回可能時，例如對手方被清盤或已進入破產程序時(以較早者為準)，本集團則撇銷金融資產。經考慮法律意見後(倘合適)，遭撇銷的金融資產可能仍須按本集團收回程序進行強制執行活動。撇銷構成取消確認事項。任何其後收回在損益中確認。

(v) 預期信貸虧損的計量及確認

預期信貸虧損的計量取決於違約概率、違約損失率(即違約時的虧損程度)及違約風險承擔。違約概率及違約損失率的評估乃基於經前瞻性資料調整後的過往數據。預期信貸虧損的預估乃無偏概率加權平均金額，以各自發生違約的風險為權重確定。

一般而言，預期信貸虧損為根據合約應付本集團的所有合約現金流量與本集團預期收取的現金流量(按於初始確認時釐定的實際利率貼現)之間的差額。

倘預期信貸虧損按集體基準計量或迎合個別工具水平證據未必存在的情況，則金融工具按賬齡歸類。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial assets.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(根據附註2的過渡條文應用國際財務報告準則第9號)(續)

(v) 預期信貸虧損的計量及確認(續)

分組乃經管理層定期檢討，以確保各組別部分繼續分擔類似信貸風險特性。

利息收入根據金融資產的賬面總值計算，惟金融資產為信貸減值的情況除外，在此情況下，利息收入按金融資產的攤銷成本計算。

本集團通過調整所有金融工具的賬面值於損益內確認其減值收益或虧損，惟相應調整於虧損撥備賬中確認的應收貿易賬款及其他應收款項除外。

金融負債的分類及其後的計量(於二零一八年一月一日應用國際財務報告準則第9號前)

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。所有以常規途徑購入或銷售的金融資產乃按交易日期基準確認及取消確認。常規途徑購入或銷售指根據市場法規或慣例所確定的時間框架內交付資產的金融資產購入或銷售。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

(continued)

- (i) 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 42.

- (ii) 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.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融負債的分類及其後的計量(於二零一八年一月一日應用國際財務報告準則第9號前)(續)

- (i) 按公平值計入損益的金融資產
倘金融資產屬(i)持作買賣或(ii)其獲指定為按公平值計入損益時，則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，包括從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42所述方式釐定。

- (ii) 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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

(continued)

(iii) 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.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融負債的分類及其後的計量(於二零一八年一月一日應用國際財務報告準則第9號前)(續)

(iii) 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。

金融資產減值(於二零一八年一月一日應用國際財務報告準則第9號前)

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。

客觀減值證據可包括：

- 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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

(continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

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 120 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.

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.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融負債的分類及其後的計量(於二零一八年一月一日應用國際財務報告準則第9號前)(續)

金融資產減值(於二零一八年一月一日應用國際財務報告準則第9號前)(續)

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120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。

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。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

(continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融負債的分類及其後的計量(於二零一八年一月一日應用國際財務報告準則第9號前)(續)

金融資產減值(於二零一八年一月一日應用國際財務報告準則第9號前)(續)

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。

取消確認金融資產

本集團僅於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其於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。倘本集團並無轉移亦無保留所有權的絕大部分風險及回報並繼續控制已轉讓資產，確認其於該資產的保留權益以及就其可能須支付的金額確認相關負債。倘本集團保留已轉讓金融資產所有權的絕大部分風險及回報，本集團可繼續確認金融資產，亦可就已收取之所得款項確認已抵押借款。

於取消確認按攤銷成本計量的金融資產時，資產賬面值與已收及應收代價之和的差額於損益中確認。

於終止確認本集團於初步確認時於應用國際財務報告準則第9號時按公平值計入其他全面收入計量的權益工具投資時，先前在投資重估儲備中累計的累計收益或虧損不會重新分類至損益，但轉撥至保留盈利。

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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.

3. 重要會計政策(續)

金融工具(續)

金融負債及權益

分類為負債或權益

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。

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。

金融負債

所有金融負債均採用實際利率法按攤銷成本或按公平值計入損益作後續計量。

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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

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3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

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 amortised cost

Financial liabilities including trade and other payables, bank and other borrowings, 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities 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.

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(續)

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、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計入損益。

取消確認金融負債

本集團僅在其責任獲免除、取消或終止時，方會取消確認金融負債。取消確認金融負債的賬面值與已付及應付代價的差額於損益中確認。

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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 2018 was RMB7,717,113,000 (2017: RMB7,751,070,000). Further details are given in notes 24 and 42.

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。於二零一八年十二月三十一日，本集團生物資產的賬面值為人民幣7,717,113,000元(二零一七年：人民幣7,751,070,000元)。進一步詳情載於附註24及42。

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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 CGUs to which goodwill has been allocated, which is the higher of its value in use and its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU 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 2018, the carrying amount of goodwill was RMB1,398,589,000 (2017: RMB1,424,539,000), net of accumulated impairment loss of RMB137,297,000 (2017: RMB111,347,000). Details of the recoverable amount calculation are disclosed in note 18.

Provision of trade receivables

As disclosed in note 26, the Group reported trade receivables of RMB1,069,543,000 due from certain 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 and after taking into account of the fair value of the collaterals and the estimated repayments. During the current year, the Group performed the impairment assessment and an additional impairment loss of RMB358,891,000 was recognised after considering the cash flows that the Group expects to receive from the collaterals.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 40 and 26.

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作出估計，以其使用價值及其公平值減出售成本的較高者為準。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。

於二零一八年十二月三十一日，商譽的賬面值為人民幣1,398,589,000元(二零一七年：人民幣1,424,539,000元)，扣除累計減值虧損人民幣137,297,000元(二零一七年：人民幣111,347,000元)。有關可收回款項計算的詳情於附註18中披露。

應收貿易賬款的撥備

誠如附註26所披露，於二零一七年十二月三十一日，本集團錄得應收某些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。於本年度，經考慮本集團預期自抵押品收取的現金流量後，本集團進行減值評估並確認額外減值虧損人民幣358,891,000元。

預期信貸虧損撥備對估計變動尤為敏感。有關預期信貸虧損及本集團應收貿易賬款的資料於附註40及26披露。

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5. REVENUE

(i) Disaggregation of revenue

Segments 分部		For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度		
		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	Total 總計 RMB'000 人民幣千元
Types of goods Raw milk Liquid milk products	商品類型 原料奶 液態奶產品	4,715,942 –	– 240,869	4,715,942 240,869
Total	總計	4,715,942	240,869	4,956,811
Timing of revenue recognition A point in time	收入確認時間 時間點	4,715,942	240,869	4,956,811

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

客戶合約收入與分部資料披露的金額的對賬載列如下：

		For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度		
		Segment revenue 分部收入 RMB'000 人民幣千元	Eliminations 抵銷 RMB'000 人民幣千元	Consolidated 合併 RMB'000 人民幣千元
Dairy farming Liquid milk products	奶牛養殖 液態奶產品	4,832,729 240,869	(116,787) –	4,715,942 240,869
Total revenue	收入總計	5,073,598	(116,787)	4,956,811

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5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

The Group sells raw milk directly to dairy product manufacturers and liquid milk products to its distributors.

For sales of raw milk and liquid milk products to its customers, revenue is recognised when control of the goods has transferred, being at the point the customer received the goods and accepted the quality. Payment of the transaction price is determined based on market price. The normal credit term is 30 to 120 days upon delivery.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of raw milk are for periods of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. 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.

5. 收入(續)

(ii) 客戶合約的履約義務

本集團直接向乳品製造商銷售原料奶及向其分銷商銷售液態奶產品。

就向其客戶銷售原料奶及液態奶產品而言，收入於轉移商品控制權時獲確認(即客戶收到商品並接受品質時)。交易價格款項乃按市價釐定。一般信用期為交付後30至120天。

(iii) 分配至客戶合約餘下履約義務的交易價格

原料奶的銷售期限為一年或更短。在國際財務報告準則第15號允許的情況下，未披露分配至該等未獲滿足合約的交易價格。

6. 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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6. SEGMENT INFORMATION (continued) Segment revenue, results, assets and liabilities

6. 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 2018	截至二零一八年十二月三十一日止年度					
Segment revenue	分部收入	4,832,729	240,869	5,073,598	(116,787)	4,956,811
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	3,312,151	220,961	3,533,112	(122,442)	3,410,670
Reportable segment profit (loss)	可呈報分部溢利(虧損)	812,215	(429,212)	383,003	5,655	388,658
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					(870,099)
Share of profit of associates	應佔聯營公司的溢利					24,873
Unallocated other income	未分配其他收入					3,135
Unallocated other gains and losses	未分配其他收益及虧損					21,493
Unallocated expenses	未分配開支					(73,720)
Loss before tax	除稅前虧損					(505,660)
As at 31 December 2018	於二零一八年十二月三十一日					
Segment assets	分部資產	14,993,079	112,096	15,105,175	(997)	15,104,178
Unallocated assets	未分配資產					841,351
Consolidated assets	合併資產					15,945,529
Segment liabilities	分部負債	9,327,717	26,412	9,354,129	(997)	9,353,132
Unallocated liabilities	未分配負債					38,264
Consolidated liabilities	合併負債					9,391,396

* During the current year, the liquid milk products business became a non-core business, and this segment does not meet the quantitative thresholds for the reportable segment. However, it is presented above to conform with prior year's presentation.

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

Segment revenue of dairy farming segment included inter-segment revenue of RMB116,787,000, which are charged at internally agreed prices with reference to the local market prices between dairy farming segment and liquid milk products segment.

* 本年內，液態奶產品業務成為非核心業務，本分部並不符合可報告分部的定量門檻。然而，上述呈列者與上一年度的呈列一致。

** 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結餘的抵銷。

乳牛養殖分部的分部收入包括內部間收入人民幣116,787,000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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6. SEGMENT INFORMATION (continued) Segment revenue, results, assets and liabilities (continued)

6. 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 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 balances of related current accounts.

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.

* 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結餘的抵銷。

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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6. SEGMENT INFORMATION (continued)

Other segment information

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

6. 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	Liquid milk products	Subtotal	Unallocated items	Total
		奶牛養殖	液態奶產品	小計	未分配項目	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
For the year ended 31 December 2018	截至二零一八年十二月三十一日止年度					
Additions to non-current assets (note)	非流動資產添置(附註)	1,636,551	17,742	1,654,293	1,043	1,655,336
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	283,034	34,414	317,448	1,598	319,046
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	-	367,662	367,662	-	367,662
Impairment loss of property, plant and equipment recognised in profit or loss	於損益中確認的物業、廠房及設備減值虧損	-	36,444	36,444	-	36,444
Impairment loss of goodwill recognised in profit or loss	於損益中確認的商譽減值虧損	25,950	-	25,950	-	25,950
Loss (gain) on disposal of property, plant and equipment	出售物業、廠房及設備的虧損(收益)	4,786	(39)	4,747	21	4,768
Interest income	利息收入	(1,504)	(180)	(1,684)	(9,350)	(11,034)
Finance costs	融資成本	335,658	2,964	338,622	-	338,622
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)	非流動資產添置(附註)	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
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

Note: Additions to non-current assets comprise biological assets, property, plant and equipment, and land use rights.

附註：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。

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6. SEGMENT INFORMATION (continued)

Other segment information (continued)

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 changes in fair value less costs to sell of dairy cows, share of profit (loss) of associates, 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, equity investment at FVTOCI, interest in associates, 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, and other head office or corporate liabilities.

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.

6. 分部資料(續)

其他分部資料(續)

經營及可呈報分部的會計政策與附註3所述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，並無公平值變動減乳牛銷售成本、分佔聯營公司溢利(虧損)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、按公平值計入其他全面收入的權益投資、於聯營公司的權益、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(惟應付稅項及其他總部或公司負債除外)

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。

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6. SEGMENT INFORMATION (continued)

Information about major customers

Included in revenue arising from sales of raw milk to external customers of approximately RMB4,222,146,000 (2017: RMB3,304,833,000) and nil (2017: RMB572,271,000) arose from sales to customer A and customer B, respectively. During the current year, the Group also sold liquid milk products of RMB239,995,000 (2017: RMB239,307,000) 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 2018.

6. 分部資料(續)

有關主要客戶的資料

計入外部客戶原奶銷售收入約人民幣4,222,146,000元(二零一七年:人民幣3,304,833,000元)及零(二零一七年:人民幣572,271,000元)分別為向客戶A及客戶B銷售所產生的收入。於本年度,本集團亦向客戶A出售液態奶產品人民幣239,995,000元(二零一七年:人民幣239,307,000元)。截至二零一八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。

7. OTHER INCOME AND OTHER EXPENSES

Other income

7. 其他收入及其他開支

其他收入

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Bank interest income	銀行利息收入	11,034	8,166
Government grants related to	就以下各項授出的政府補貼：		
– Assets (note 33)	– 資產(附註33)	19,067	17,844
– Others (note)	– 其他(附註)	24,606	19,714
		43,673	37,558
Others	其他	11,424	6,108
		66,131	51,832

Note: 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：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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7. OTHER INCOME AND OTHER EXPENSES 7. 其他收入及其他開支(續)

(continued)

Other expenses

其他開支

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Loss from sales of milk powders (note i)	出售奶粉虧損(附註i)	321	9,081
Donation expenses	捐贈開支	225	1,733
Compensation for termination of a contract (note ii)	終止合約的補償(附註ii)	12,000	-
Others	其他	10,545	9,614
		23,091	20,428

Notes:

- i. During the year ended 31 December 2018, 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 RMB321,000 for the year ended 31 December 2018 (2017: RMB9,081,000), being the excess of the carrying value of the milk powders over the proceeds received.
- ii. In June 2016, Modern Farming (Saibei) Co., Ltd. ("Saibei"), a subsidiary of the Company, entered into a consigned processing contract with Bengbu Heping Dairy Co., Ltd ("Heping") to consign Heping to process liquid milk product. As the Directors predicted the process of liquid milk production would not be resumed in the foreseeable future, Saibei terminated the contract with a compensation of RMB12,000,000 to Heping in December 2018.

附註：

- i. 截至二零一八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，導致截至二零一八年十二月三十一日止年度虧損人民幣321,000元(二零一七年：人民幣9,081,000元)，即奶粉的賬面值高於所得款項的部分。
- ii. 於二零一六年六月，本公司的附屬公司現代牧業(塞北)有限公司(「塞北」)與蚌埠和平乳業有限公司(「和平」)簽訂代銷加工合約，為和平代銷加工液態奶產品。由於董事預計於可見將來不會恢復加工液態奶產品。塞北於二零一八年十二月與和平終止合約，並補償人民幣12,000,000元。

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8. LOSS BEFORE FINANCE COSTS AND TAX

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

8. 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:

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	3,243,770	2,828,951
Production costs for liquid milk products	液態奶產品的生產成本	166,900	524,006
		3,410,670	3,352,957
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	1,371,468	1,228,046
		4,782,138	4,581,003
Other gains and losses:	其他收益及虧損:		
Loss from settlement of Modified Considerations (note 35)	結清經修訂代價的虧損(附註35)	-	15,361
Loss from disposal of an associate	出售一間聯營公司的虧損	-	239
Net foreign exchange loss (gain)	外匯虧損(收益)淨額	126,957	(10,199)
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	4,768	11,268
Gains arising on disposal of subsidiaries (note 38)	於出售附屬公司產生的收益(附註38)	(18,193)	-
Impairment loss on AFS equity investment (note 21)	可供出售權益投資減值虧損(附註21)	-	12,021
Impairment loss on property, plant and equipment (note 16)	物業、廠房及設備減值虧損(附註16)	36,444	-
Impairment loss on goodwill (note 18)	商譽減值虧損(附註18)	25,950	-
Fair value (gain) loss on financial assets at FVTPL	按公平值計入損益金融資產的公平值(收益)虧損		
Foreign currency forward contracts (notes 22 and 23)	外匯遠期合約(附註22及23)	(35,394)	1,949
Foreign currency option contracts (notes 22 and 23)	外匯期權合約(附註22及23)	872	-
Bills receivable (note 26)	應收票據(附註26)	(1,427)	-
		(35,949)	1,949
Gains on derecognition of financial liabilities	取消確認金融負債的收益	(1,352)	(57)
		138,625	35,716

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8. LOSS BEFORE FINANCE COSTS AND TAX (continued)

8. 除融資成本及稅項前虧損(續)

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Depreciation of property, plant and equipment	物業、廠房及設備折舊	535,685	586,283
Less: capitalised in biological assets	減：生物資產資本化金額	(220,651)	(241,561)
Depreciation charged to profit or loss	計入損益的折舊	315,034	344,722
Equity-settled share option expense (note 36(a))	以股權結算的購股權開支 (附註36(a))	-	92,623
Equity-settled share award expense (note 36(c))	以股權結算的股份獎勵開支 (附註36(c))	8,646	14,517
Other employee benefits costs	其他僱員福利開支	435,722	478,750
Less: capitalised in biological assets	減：生物資產資本化金額	(112,143)	(113,903)
Employee benefits charged to profit or loss	計入損益的僱員福利	332,225	471,987
Auditors' remuneration	核數師酬金	2,800	2,700
Release of land use rights	土地使用權解除	4,012	4,106

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9. FINANCE COSTS

9. 融資成本

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Interest expenses on:	利息開支：		
Bank borrowings	銀行借款	187,625	162,453
Short-term debentures	短期債券	-	28,496
Medium-term notes	中期票據	41,485	93,675
Other borrowings	其他借款	44,306	25,588
Corporate bonds	公司債券	59,871	47,508
Amounts due to Mengniu	應付蒙牛款項	1,804	-
Total borrowing cost	借款成本總額	335,091	357,720
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)
Cost of discount of bills receivable	應收票據折讓成本	-	2,965
Fair value loss (gain) on interest rates swaps	利率掉期公平值虧損(收益)	3,531	(31,753)
		338,622	328,395

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 for the year ended 31 December 2017.

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。截至二零一七年十二月三十一日止年度，一般借款的加權平均資本化比率為每年5.46%。

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10. IMPAIRMENT LOSSES, NET OF REVERSAL

10. 減值虧損扣除撥回

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Impairment losses recognised on:	減值虧損於以下確認：		
– Trade receivables – liquid milk product (the Distributors)	– 應收貿易賬款 – 液態奶產品(分銷商)	358,891	488,489
– Trade receivables – liquid milk product (other customers)	– 應收貿易賬款 – 液態奶產品(其他客戶)	5,365	6,782
– Other receivables	– 其他應收款項	3,569	110
Impairment losses reversed on:	減值虧損於以下撥回：		
– Trade receivables – liquid milk product (other customers)	– 應收貿易賬款 – 液態奶產品(其他客戶)	(163)	–
		367,662	495,381

Details of impairment assessment for the year ended 31 December 2018 are set out in note 40.

截至二零一八年十二月三十一日止年度減值評估詳情載列於附註40。

11. INCOME TAX EXPENSE (CREDIT)

11. 所得稅開支(抵免)

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	513	156
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)
		513	(27)

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11. INCOME TAX EXPENSE (CREDIT) (continued)

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 (the "EIT Law") at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. According to the prevailing tax rules and regulation of the PRC, 16 subsidiaries (2017: 18 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 2018.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. Deferred taxation has not been provided for in the consolidated financial statements in respect of the accumulated profits of the PRC subsidiaries amounting RMB2,059,807,000 (31 December 2017: RMB1,961,503,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. 所得稅開支(抵免)(續)

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。

中國附屬公司須就該兩個年度按25%的稅率繳納中國企業所得稅(「企業所得稅法」)。其他司法權區產生的稅項乃根據有關司法權區現行稅率計算。根據中國現行稅務規則及法規，截至二零一八年十二月三十一日止年度，本集團的16間附屬公司(二零一七年：18間附屬公司)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。

根據中國企業所得稅法，於中國成立的外資企業向外商投資者宣派股息須繳納10%的預扣稅。該規定自二零零八年一月一日起生效，並適用於二零零七年十二月三十一日後的盈利。倘中國與外商投資者所在司法權區訂立了稅項條約，則可調低預扣稅稅率。本集團的適用比率為5%或10%。並未就中國附屬公司累計溢利人民幣2,059,807,000元(二零一七年十二月三十一日：人民幣1,961,503,000元)於綜合財務報表就遞延稅項作出撥備，乃由於本集團能夠控制撥回暫時差額的時間及該等暫時差額於可見將來可能不會獲撥回。

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11. INCOME TAX EXPENSE (CREDIT) (continued)

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:

11. 所得稅開支(抵免)(續)

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：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Loss before tax	除稅前虧損	(505,660)	(994,874)
Tax at applicable income tax rate at 25% (2017: 25%)	按適用所得稅稅率25%計算的稅項(二零一七年: 25%)	(126,415)	(248,719)
Effect of tax exemption granted to agricultural entities	農業實體免稅待遇的影響	(90,023)	(40,689)
Effect of non-utilised losses incurred from agricultural business and other non-deductible expenses	農業業務產生未動用虧損及其他不可扣稅開支的影響	204,376	249,422
Tax effect of tax losses not recognised	未確認稅項虧損的稅務影響	12,575	40,190
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 (credit)	所得稅開支(抵免)	513	(27)

As at 31 December 2018, the Group's PRC subsidiaries had unused tax losses of RMB200,019,000 (31 December 2017: RMB314,496,000) incurred by non-agricultural business in the PRC. These unused tax losses as at 31 December 2018 will expire in year 2019 to year 2023 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.

於二零一八年十二月三十一日，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200,019,000元(於二零一七年十二月三十一日：人民幣314,496,000元)。倘於二零一八年十二月三十一日該等未動用稅項虧損未獲動用，其將於二零一九年至二零二三年屆滿。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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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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

12. 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：

		2018 二零一八年				
		Directors' fees	Salaries, allowances and benefits-in-kind	Equity-settled 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
Executive directors	執行董事					
Ms. Gao Lina	高麗娜女士	-	2,467	1,318	-	3,785
Mr. Han Chunlin	韓春林先生	-	1,635	651	65	2,351
Non-executive directors	非執行董事					
Mr. Lu Minfang (note ii)	盧敏放先生(附註ii)	-	-	-	-	-
Mr. Wolhardt Julian Juul	Wolhardt Julian Juul 先生	-	-	-	-	-
Mr. Zhang Ping	張平先生	-	-	-	-	-
Mr. Wen Yongping (note ii)	溫永平先生(附註ii)	-	-	-	-	-
Independent non-executive directors	獨立非執行董事					
Mr. Lee Kong Wai Conway	李港衛先生	204	-	-	-	204
Mr. Li Shengli	李勝利先生	200	-	-	-	200
Mr. Kang Yan	康龔先生	200	-	-	-	200
		604	4,102	1,969	65	6,740

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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

12. 董事及主要行政人員酬金(續)

		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
		董事袍金	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	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
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. Wolhardt Julian Juul	Wolhardt Julian Juul 先生	-	-	-	-	-
Mr. Zhang Ping	張平先生	-	-	-	-	-
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. Sun Yugang (note iii)	孫玉剛先生(附註iii)	-	-	-	-	-
Independent non-executive directors	獨立非執行董事					
Mr. Lee Kong Wai Conway	李港衛先生	208	-	-	-	208
Mr. Li Shengli	李勝利先生	200	-	-	-	200
Mr. Kang Yan	康龔先生	200	-	-	-	200
Mr. Zou Fei (note ii)	鄒飛先生(附註ii)	50	-	-	-	50
		658	3,928	14,473	50	19,109

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 36.

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36。

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12. 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 2018 (2017: 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. 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.

13. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest remuneration in the Group, two (2017: two) are directors of the Company whose emoluments are included in the disclosures in note 12 above. Details of the remuneration of the remaining three (2017: three) individuals for the year are as follows:

12. 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. 截至二零一八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(二零一七年：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. 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。

13. 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(二零一七年：兩名)，其酬金披露於上文附註12。以下是年內其餘三名最高薪酬人士(二零一七年：三名)的酬金詳情：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Salaries and allowances	薪金及津貼	3,653	3,028
Retirement benefits scheme contributions	退休福利計劃供款	134	69
Equity-settled share option expense	按股權結算購股權開支	-	11,000
Equity-settled share award expense	按股權結算股份獎勵開支	1,301	1,682
		5,088	15,779

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13. 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 for the year ended 31 December 2018 (2017: 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:

		2018 二零一八年	2017 二零一七年
HK\$1,000,001 to HK\$1,500,000	1,000,001 港元至 1,500,000 港元	1	–
HK\$2,000,001 to HK\$2,500,000	2,000,001 港元至 2,500,000 港元	2	–
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	3

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 36.

14. DIVIDEND

No dividend (2017: nil) was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period.

13. 五名最高薪酬人士(續)

截至二零一八年十二月三十一日止年度，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(二零一七年：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36。

14. 股息

概無就二零一八年期間向本公司普通股股東支付或建議派付任何股息(二零一七年：無)，亦無自報告期末起建議派付任何股息。

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15. 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:

15. 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：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	(496,088)	(975,116)
		2018 二零一八年 Shares 股	2017 二零一七年 Shares 股
Number of shares	股份數目		
Weighted average number of ordinary shares for the purposes 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	6,083,399,210	6,022,884,528

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 years ended 31 December 2018 and 2017 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。計算截至二零一八年及二零一七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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16. PROPERTY, PLANT AND EQUIPMENT

16. 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 2017	於二零一七年一月一日的結餘	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
Additions	添置	-	494	67,012	187,273	254,779
Transfer	轉撥	113,804	-	82,081	(195,885)	-
Disposals	出售	(16,136)	(1,939)	(60,817)	-	(78,892)
Elimination on disposal of subsidiaries (note 38)	出售附屬公司撤銷 (附註38)	(170,883)	(379)	(416,032)	(31,230)	(618,524)
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	5,156,865	21,043	1,766,381	11,528	6,955,817
Accumulated depreciation	累計折舊					
Balance at 1 January 2017	於二零一七年一月一日的結餘	(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)
Elimination on disposals	出售撤銷	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)
Charge for the year	年內開支	(323,998)	(1,366)	(210,321)	-	(535,685)
Elimination on disposals	出售撤銷	6,462	1,304	48,637	-	56,403
Elimination on disposal of subsidiaries (note 38)	出售附屬公司撤銷 (附註38)	33,820	286	144,536	-	178,642
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	(1,902,674)	(8,162)	(983,976)	-	(2,894,812)
Impairment	減值					
Balance at 1 January 2017	於二零一七年一月一日的結餘	(104,180)	(114)	(7,395)	-	(111,689)
Eliminated on disposal	出售撤銷	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)
Impairment losses recognised in profit or loss	已於損益確認減值虧損	(11,499)	-	(24,945)	-	(36,444)
Eliminated on disposal	出售撤銷	1,274	19	377	-	1,670
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	(110,242)	(63)	(30,015)	-	(140,320)
Carrying amounts	賬面值					
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	3,143,949	12,818	752,390	11,528	3,920,685
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

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16. PROPERTY, PLANT AND EQUIPMENT

(continued)

At 31 December 2017, Modern Farming (Bengbu) Co., Ltd ("Bengbu"), the then subsidiary of the Company, had pledged certain buildings, plant and equipment with an aggregate carrying amount of RMB93,877,000 as security for its collateralised borrowings (note 32) and as Bengbu was disposed during the current year (note 38), none of buildings, plant and equipment of the Group was pledged as at 31 December 2018.

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

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

Impairment losses recognised

During the current year, the Directors determined that the operation of Saibei would not be resumed in the foreseeable future. The Group engaged an independent valuer Asia-Pacific Consulting and Appraisal Limited to assist in assessing recoverable amount of property, plant and equipment of Saibei. The recoverable amount was determined under market method. The Group recognised impairment for property, plant and equipment of Saibei and recorded impairment loss of RMB36,444,000 in other gains and losses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

16. 物業、廠房及設備(續)

於二零一七年十二月三十一日，本公司的附屬公司現代牧業(蚌埠)有限公司(「蚌埠」)已抵押賬面值總額為人民幣93,877,000元的若干樓宇、廠房及設備作其抵押借款的擔保(附註32)及由於蚌埠於本年度出售(附註38)，於二零一八年十二月三十一日，本集團概無樓宇、廠房及設備被抵押。

折舊於預期可使用年期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

於本年度，董事認為於可見將來塞北不會恢復營運。本集團聘請獨立估值師亞太評估諮詢有限公司協助評估塞北物業、廠房及設備的可收回金額。可收回金額乃按市場法釐定。本集團對塞北物業、廠房及設備確認減值並於截至二零一八年十二月三十一日止年度的綜合損益及其他全面收益表的其他收益及虧損錄得人民幣36,444,000元減值虧損。

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17. LAND USE RIGHTS

17. 土地使用權

		RMB'000 人民幣千元
Balance at 1 January 2017	於二零一七年一月一日的結餘	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
Elimination on disposal of subsidiaries (note 38)	出售附屬公司撤銷(附註38)	(4,674)
Release to profit or loss	解除至損益	(4,012)
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	121,222
		2018 二零一八年 RMB'000 人民幣千元
Analysed for reporting purpose as:	呈報分析如下:	2017 二零一七年 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
		121,222
		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.

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。

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18. GOODWILL

18. 商譽

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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)	(111,347)
Impairment loss recognised in the year	年內已確認減值虧損	(25,950)	-
At 31 December	於十二月三十一日	(137,297)	(111,347)
Carrying values	賬面值		
At 31 December	於十二月三十一日	1,398,589	1,424,539

For the purpose of impairment testing, goodwill has been allocated to two individual CGUs. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

進行減值測試時，商譽歸入兩個個別現金產生單位。商譽的賬面值(扣除累計減值虧損)歸入該等單位如下：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Modern Farming (note i)	現代牧業(附註i)	310,426	310,426
ADH Companies (note ii)	ADH公司(附註ii)	1,088,163	1,114,113
		1,398,589	1,424,539

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18. GOODWILL (continued)

Notes:

- i. The Group's goodwill of RMB310,426,000 arose from acquisition of Modern Farming (Group) Co., Ltd. ("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 CGUs 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 11.8% (2017: 12.7%). Cash flows beyond the budgeted period are extrapolated using a 2.5% (2017: 2.5%) 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.

- ii. 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 CGUs 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 11.8% (2017: 12.7%). Cash flows beyond the budgeted period are extrapolated using a 2.5% (2017: 2.5%) 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.

During the year, an impairment loss of RMB25,950,000 (2017: nil) was recognised, being the excess of the carrying amount of the ADH CGU over the recoverable amount of RMB25,950,000 determined based on the above value in use calculation.

18. 商譽(續)

附註:

- i. 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)有限公司(「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11.8%(二零一七年：12.7%)。預算期限以外的現金流量使用2.5%(二零一七年：2.5%)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。

- ii. 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11.8%(二零一七年：12.7%)。預算期限以外的現金流量使用2.5%(二零一七年：2.5%)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。

於本年度，已確認一項為人民幣25,950,000元的減值虧損(二零一七年：無)，即ADH現金產生單位賬面值超出根據使用上述價值計算法而釐定的可回收金額人民幣25,950,000元。

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19. INTEREST IN ASSOCIATES

19. 於聯營公司的權益

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Cost of investment in associates	於聯營公司投資成本	156,040	-
Share of post-acquisition profits and other comprehensive income	分佔收購後溢利及其他全面收入	24,873	-
		180,913	-

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

本集團於聯營公司權益的詳情如下：

Name of company 公司名稱	Place of establishment 成立地點	Proportion of ownership interest 擁有權比例		Voting rights 投票權		Principal activities 主要業務
		31/12/2018 二零一八年 十二月 三十一日 %	31/12/2017 二零一七年 十二月 三十一日 %	31/12/2018 二零一八年 十二月 三十一日 %	31/12/2017 二零一七年 十二月 三十一日 %	
Modern Farming (Feidong) Co., Ltd. ("Feidong") (note 38) 現代牧業(肥東)有限公司(「肥東」) (附註38)	PRC 中國	50	100	49	100	Liquid milk producing 生產液態奶
Bengbu (note 38) 蚌埠(附註38)	PRC 中國	50	100	49	100	Liquid milk producing 生產液態奶

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19. INTEREST IN ASSOCIATES (continued)

In March 2018, Modern Farming sold 50% equity interest of Feidong and Bengbu, the then subsidiary of the Company, to Inner Mongolia Mengniu Dairy (Group) Company Limited ("Inner Mongolia Mengniu"). Under the articles of association, Inner Mongolia Mengniu has 51% of voting power at shareholder meetings and is entitled to appoint three out of a total of five directors of Feidong and Bengbu, and thus has control over Feidong and Bengbu. The Group lost control of Feidong and Bengbu but has significant influence over Feidong and Bengbu, therefore classified them as associates of the Group. More details of the transaction are set out in note 38.

In October 2018 and December 2018, Modern Farming and Inner Mongolia Mengniu proportionally injected capital of RMB35,000,000 in Feidong, and RMB65,000,000 in Bengbu, respectively. After that, the ownership percentage of Modern Farming and Inner Mongolia Mengniu in Bengbu and Feidong was not changed.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

19. 於聯營公司的權益(續)

於二零一八年三月，現代牧業出售肥東及蚌埠50%的權益，其為本公司的附屬公司內蒙古蒙牛乳業(集團)股份有限公司(「內蒙古蒙牛」)。根據公司章程，內蒙古蒙牛在肥東和蚌埠的股東大會上有51%的投票權及有權委任肥東和蚌埠五名董事中的三名，因此控制了肥東和蚌埠。本集團失去對肥東及蚌埠的控制權，但對肥東及蚌埠具有重大影響力，因此將其分類為本集團的聯營公司。有關該交易的更多詳情載於附註38。

於二零一八年十月及二零一八年十二月，現代牧業(集團)及內蒙古蒙牛分別按比例於肥東注資人民幣35,000,000元及於蚌埠注資人民幣65,000,000元。此後，現代牧業(集團)及內蒙古蒙牛於蚌埠及肥東的所有權百分比並無變動。

重大聯營公司的財務資料概要

下文載列本集團各重大聯營公司的財務資料概要。以下財務資料概要為聯營公司根據國際財務報告準則編製的財務報表所示金額。

於綜合財務報表，所有該等聯營公司皆使用權益法入賬。

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19. INTEREST IN ASSOCIATES (continued)

Feidong

19. 於聯營公司的權益(續)

肥東

		31/12/2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
Current assets	流動資產	56,239
Non-current assets	非流動資產	178,127
Current liabilities	流動負債	84,943
Non-current liabilities	非流動負債	9,073
		Period from 31/03/2018 to 31/12/2018 自二零一八年 三月三十一日 至二零一八年 十二月三十一日 期間 RMB'000 人民幣千元
Revenue	收益	100,524
Profit and total comprehensive income for the period	期內溢利及全面收入總額	16,735
Adjustment of the fair value difference between the net book value and fair value of the remaining interests in Feidong on the date of disposal	於出售日期於肥東餘下權益的賬面淨值與公平值之間的公平值差額調整	(711)
Profit and total comprehensive income for the period	期內溢利及全面收入總額	16,024

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19. INTEREST IN ASSOCIATES (continued)

Feidong (continued)

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

19. 於聯營公司的權益(續)

肥東(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：

		31/12/2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
Net assets of Feidong	肥東淨資產	140,350
Proportion of the Group's ownership interest in Feidong	本集團於肥東的擁有權權益比例	50%
The Group's share of net asset of Feidong	本集團分佔肥東淨資產	70,175
Goodwill	商譽	251
Fair value adjustment	公平值調整	2,386
		72,812

Bengbu

蚌埠

		31/12/2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
Current assets	流動資產	163,661
Non-current assets	非流動資產	247,868
Current liabilities	流動負債	189,574
Non-current liabilities	非流動負債	16,160

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19. INTEREST IN ASSOCIATES (continued)

Bengbu (continued)

19. 於聯營公司的權益(續)

蚌埠(續)

		Period from 31/03/2018 to 31/12/2018 自二零一八年 三月三十一日 至二零一八年 十二月三十一日 期間 RMB'000 人民幣千元
Revenue	收益	355,926
Profit and total comprehensive income for the period	期內溢利及全面收入總額	35,523
Adjustment of the fair value difference between the net book value and fair value of the remaining interests in Bengbu on the date of disposal	於出售日期於蚌埠餘下權益的賬面淨值與公平值之間的公平值差額調整	(1,801)
Profit and total comprehensive income for the period	期內溢利及全面收入總額	33,722

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

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：

		31/12/2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
Net assets of Bengbu	蚌埠淨資產	205,795
Proportion of the Group's ownership interest in Bengbu	本集團於蚌埠的擁有權權益比例	50%
The Group's share of net asset of Bengbu	本集團分佔蚌埠淨資產	102,898
Goodwill	商譽	33
Fair value adjustment	公平值調整	5,170
		108,101

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20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

20. 按公平值計入其他全面收入的權益工具

2018
二零一八年
RMB'000
人民幣千元

Unquoted equity investment	未報價權益投資	2,508
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The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC. The Directors have elected to designate these investments in equity instruments at FVTOCI as they believe that the investments will not be sold on trading purpose.

上述非上市權益投資指本集團於中國成立私人實體的權益投資。由於董事相信該投資將不會就交易目的出售，故選擇將該等權益工具投資指定為按公平值計入其他全面收入。

21. AVAILABLE-FOR-SALE EQUITY INVESTMENT

21. 可供出售權益投資

2017
二零一七年
RMB'000
人民幣千元

Unquoted equity investment at cost	按成本計算的未報價權益投資	24,955
Less: accumulated impairment	減：累計減值	(12,021)

12,934

The above unquoted equity investment represents the Group's equity investment in Qiushi Grass Industry Co., Ltd. (the "Qiushi") and represent 11.33% equity interests in Qiushi as at 31 December 2017. The investment was measured at cost less impairment because the range of reasonable fair value estimates was so significant that the Directors were 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.

上述未報價權益投資指於二零一七年十二月三十一日本集團於秋實草業有限公司(「秋實」)的權益投資及指於秋實的11.33%股權。該投資按成本減減值計量，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。

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND OTHER FINANCIAL ASSETS

Financial assets at FVTPL

22. 按公平值計入損益的金融資產及其他金融資產

按公平值計入損益的金融資產

		2018 二零一八年 RMB'000 人民幣千元
Interest rate swaps – US\$ (note i)	利率掉期 – 美元(附註i)	40,774
Foreign currency forward contracts (note ii)	外匯遠期合約(附註ii)	39,025
Foreign currency option contracts (note iii)	外匯期權合約(附註iii)	625
		80,424

Other financial assets

其他金融資產

		2017 二零一七年 RMB'000 人民幣千元
Interest rate swaps (note i)	利率掉期(附註i)	31,704

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND OTHER FINANCIAL ASSETS (continued)

Other financial assets (continued)

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 (the "US\$ 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 for the principal amount of US\$300,000,000 in August and September 2017. All of which shall be settled monthly. The fair value changes of the swaps are gains of RMB9,070,000 (2017: RMB31,704,000) for the year ended 31 December 2018 which are recognised as a deduction of finance costs.

Major terms of the interest rate swaps are as follows:

31 December 2018 and 2017

Nominal amount 名義金額	Maturity 到期日	Swaps 掉期
US\$100,000,000 100,000,000 美元	29/09/2020 二零二零年九月二十九日	From LIBOR to 1.53% 自倫敦銀行同業拆息至1.53%
US\$50,000,000 50,000,000 美元	30/09/2020 二零二零年九月三十日	From LIBOR to 1.54% 自倫敦銀行同業拆息至1.54%
US\$50,000,000 50,000,000 美元	29/09/2020 二零二零年九月二十九日	From LIBOR to 1.53% 自倫敦銀行同業拆息至1.53%
US\$100,000,000 100,000,000 美元	29/09/2020 二零二零年九月二十九日	From LIBOR to 1.54% 自倫敦銀行同業拆息至1.54%

- ii. In order to manage the risk of US\$ exchange rate fluctuation for the US\$ Loan, the Group entered into certain US\$ forward contracts for the principal amount of US\$187,700,000 during the current year. Besides, the Company entered into two EUR forward contracts for the principal amount of EUR20,000,000 during the current year. The fair value change of the forward contracts recognised in other gains and losses.

22. 按公平值計入損益的金融資產及其他金融資產(續)

其他金融資產(續)

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」，「美元貸款」)，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，本公司於二零一七年八月及九月訂立四份利率掉期合約，本金金額為300,000,000美元。全部須每月結算。截至二零一八年十二月三十一日止年度，掉期公平值變動收益人民幣9,070,000元(二零一七年：人民幣31,704,000元)乃確認為一項融資成本扣減。

利率掉期主要條款如下：

二零一八年及二零一七年十二月三十一日

- ii. 為就美元貸款管理美元匯率波動風險，本集團於本年度訂立若干美元遠期合約，本金金額為187,700,000美元。此外，本公司於本年度訂立兩份歐元遠期合約，本金金額為20,000,000歐元。遠期合約的公平值變動於其他收益及虧損中確認。

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND OTHER FINANCIAL ASSETS (continued)

Other financial assets (continued)

Notes: (continued)

ii. (continued)

Major items of the foreign currency forward contracts are as follows:

31 December 2018

Nominal amount 名義金額	Maturity 到期日	Forward exchange rates 遠期匯率
<i>Financial asset at FVTPL</i> 按公平值計入損益的金融資產		
US\$20,000,000 20,000,000 美元	28/09/2020 二零二零年九月二十八日	RMB6.6350: US\$1 人民幣 6.6350 元兌 1 美元
US\$30,000,000 30,000,000 美元	28/09/2020 二零二零年九月二十八日	RMB6.6640: US\$1 人民幣 6.6640 元兌 1 美元
US\$30,000,000 30,000,000 美元	25/09/2020 二零二零年九月二十五日	RMB6.6300: US\$1 人民幣 6.6300 元兌 1 美元
US\$20,000,000 20,000,000 美元	25/09/2020 二零二零年九月二十五日	RMB6.5950: US\$1 人民幣 6.5950 元兌 1 美元
US\$20,000,000 20,000,000 美元	25/09/2020 二零二零年九月二十五日	RMB6.4800: US\$1 人民幣 6.4800 元兌 1 美元
US\$17,700,000 17,700,000 美元	28/09/2020 二零二零年九月二十八日	RMB6.9000: US\$1 人民幣 6.9000 元兌 1 美元
EUR13,000,000 13,000,000 歐元	25/02/2019 二零一九年二月二十五日	RMB7.6858: EUR1 人民幣 7.6858 元兌 1 歐元
EUR7,000,000 7,000,000 歐元	25/02/2019 二零一九年二月二十五日	RMB7.8480: EUR1 人民幣 7.8480 元兌 1 歐元
<i>Derivative financial instruments (note 23)</i> 衍生金融工具(附註23)		
US\$30,000,000 30,000,000 美元	30/09/2020 二零二零年九月三十日	RMB7.0000: US\$1 人民幣 7.0000 元兌 1 美元
US\$20,000,000 20,000,000 美元	30/09/2020 二零二零年九月三十日	RMB6.9800: US\$1 人民幣 6.9800 元兌 1 美元

22. 按公平值計入損益的金融資產及其他金融資產(續)

其他金融資產(續)

附註:(續)

ii. (續)

外匯遠期合約主要項目如下:

二零一八年十二月三十一日

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND OTHER FINANCIAL ASSETS (continued)

Other financial assets (continued)

Notes: (continued)

- iii. In addition, the Group entered into three US\$ exchange rate option portfolio contracts and one US\$ exchange rate option contract with certain banks during the current year. The fair value change of the foreign exchange options is recognised in other gains and losses.

Major items of the foreign currency option contracts are as follows:

Nominal amount 名義金額	Maturity 到期日	Type 類型	Position 好倉/淡倉	Prices 價格
<i>Financial asset at FVTPL</i> 按公平值計入損益的金融資產				
US\$30,000,000* 30,000,000美元*	24/09/2020 二零二零年九月二十四日	Call 認購	Long 好倉	RMB6.8600: US\$1 人民幣6.8600元兌1美元
		Put 認沽	Short 淡倉	RMB6.8600: US\$1 人民幣6.8600元兌1美元
		Call 認購	Short 淡倉	RMB7.2600: US\$1 人民幣7.2600元兌1美元
US\$26,300,000* 26,300,000美元*	23/09/2020 二零二零年九月二十三日	Call 認購	Long 好倉	RMB6.8820: US\$1 人民幣6.8820元兌1美元
		Put 認沽	Short 淡倉	RMB6.8800: US\$1 人民幣6.8800元兌1美元
<i>Derivative financial instruments (note 23)</i> 衍生金融工具(附註23)				
US\$30,000,000* 30,000,000美元*	24/09/2020 二零二零年九月二十四日	Call 認購	Long 好倉	RMB6.8900: US\$1 人民幣6.8900元兌1美元
		Put 認沽	Short 淡倉	RMB6.8900: US\$1 人民幣6.8900元兌1美元
		Call 認購	Short 淡倉	RMB7.3000: US\$1 人民幣7.3000元兌1美元
US\$26,000,000 26,000,000美元	24/09/2020 二零二零年九月二十四日	Call 認購	Long 好倉	RMB5.8000: US\$1 人民幣5.8000元兌1美元

* These are currency call put option portfolios.

- iv. The valuation techniques used in determination of fair values of the interest rate swap, foreign currency forward and foreign currency option are disclosed in note 42.

22. 按公平值計入損益的金融資產及其他金融資產(續)

其他金融資產(續)

附註:(續)

- iii. 此外，本集團於本年度與若干銀行訂立三份美元匯率期權組合合約及一份美元匯率期權合約。匯率期權的公平值變動於其他收益及虧損中確認。

外匯期權合約主要項目如下：

				RMB6.8900: US\$1 人民幣6.8900元兌1美元
				RMB6.8900: US\$1 人民幣6.8900元兌1美元
				RMB7.3000: US\$1 人民幣7.3000元兌1美元
				RMB5.8000: US\$1 人民幣5.8000元兌1美元

* 該等為貨幣認購及認沽期權組合。

- iv. 釐定利率掉期、外匯遠期及外匯期權公平值所使用的估值技術均披露於附註42。



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23. DERIVATIVE FINANCIAL INSTRUMENTS

23. 衍生金融工具

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Interest rate swaps – HK\$ (note)	利率掉期 – 港元(附註)	12,601	–
Foreign currency forward contracts (note 22(ii))	外匯遠期合約(附註22(ii))	3,631	–
Foreign currency option contracts (note 22(iii))	外匯期權合約(附註22(iii))	1,497	–
		17,729	–

Note: In September 2018, the Company entered into a facility agreement with several banks, and under such arrangement the Group was allowed to borrow HK\$1,500,000,000 loan (the "HK\$ Loan") from the banks at floating interest rate determined as "selected period Hong Kong interbank offered rate ("HIBOR") + 1.7%" per annum up to 36 months. In order to manage the risk of interest rate fluctuation, the Company entered into three interest rate swap contracts for the HK\$ Loan.

附註：於二零一八年九月，本公司與若干銀行訂立融資協議，根據有關安排，本集團獲准自銀行借入貸款1,500,000,000港元（「港元貸款」），按最多36個月「特定期間香港銀行同業拆息（「香港銀行同業拆息」）+ 每年1.7%」的浮動利率計息。為管理利率波動風險，本公司就港元貸款訂立三份利率掉期合約。

Major terms of the interest rate swaps are as follows:

利率掉期主要條款如下：

31 December 2018

二零一八年十二月三十一日

Nominal amount 名義金額	Maturity 到期日	Swaps 掉期
HK\$500,000,000 500,000,000 港元	12/12/2021 二零二一年十二月十二日	From HIBOR to 2.62% 自香港銀行同業拆息至2.62%
HK\$500,000,000 500,000,000 港元	13/12/2021 二零二一年十二月十三日	From HIBOR to 2.59% 自香港銀行同業拆息至2.59%
HK\$500,000,000 500,000,000 港元	13/12/2021 二零二一年十二月十三日	From HIBOR to 2.60% 自香港銀行同業拆息至2.60%

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24. 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.

		2018 二零一八年 heads 頭	2017 二零一七年 heads 頭
Milkable cows	奶牛	134,315	126,839
Heifers and calves	小母牛及小牛	97,215	106,219
Total dairy cows	乳牛總計	231,530	233,058

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:

24. 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。

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：

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24. BIOLOGICAL ASSETS (continued)

A – Nature of activities (continued)

- i. **Regulatory and environmental risks**
The Group is subject to laws and regulations in the location in which it operates plantation and breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.
- ii. **Climate, disease and other natural risks**
The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

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

		2018 二零一八年 KILOGRAM ("KG") 千克	2017 二零一七年 KG 千克
Volume of milk sold	原料奶銷量	1,251,332,000	1,148,773,000

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:

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Milkable cows	奶牛	5,636,013	5,336,570
Heifers and calves	小母牛及小牛	2,081,100	2,414,500
Total dairy cows	乳牛總計	7,717,113	7,751,070

24. 生物資產(續)

A – 業務性質(續)

- 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。

B – 本集團生物資產的農業生產的數量

		2018 二零一八年 KILOGRAM ("KG") 千克	2017 二零一七年 KG 千克
Volume of milk sold	原料奶銷量	1,251,332,000	1,148,773,000

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：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Milkable cows	奶牛	5,636,013	5,336,570
Heifers and calves	小母牛及小牛	2,081,100	2,414,500
Total dairy cows	乳牛總計	7,717,113	7,751,070

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24. BIOLOGICAL ASSETS (continued)

C – Value of dairy cows (continued)

24. 生物資產(續)

C – 乳牛的價值(續)

		Heifers and calves 小母牛及小牛 RMB'000 人民幣千元	Milkable cows 奶牛 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Balance at 1 January 2017	於二零一七年一月一日的結餘	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
Feeding cost and other related costs	飼養成本及其他相關成本	1,400,557	–	1,400,557
Transfer	轉撥	(2,024,581)	2,024,581	–
Decrease due to disposal	出售減值	(90,739)	(473,676)	(564,415)
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)	381,363	(1,251,462)	(870,099)
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	2,081,100	5,636,013	7,717,113

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 42.

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42。

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24. BIOLOGICAL ASSETS (continued)

C – Value of dairy cows (continued)

As at 31 December 2018, the Group has pledged dairy cows of RMB875,471,000 (2017: RMB1,154,156,000) to banks to secure certain bank borrowings of the Group (note 29).

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:

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	1,371,468	1,228,046
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	(870,099)	(868,337)
		501,369	359,709

24. 生物資產(續)

C – 乳牛的價值(續)

於二零一八年十二月三十一日，為給本集團擔保若干銀行借款，本集團向銀行抵押人民幣875,471,000元(2017：人民幣1,154,156,000元)的乳牛(附註29)。

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：

25. INVENTORIES

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Feeds	飼料	929,260	759,318
Finished goods	製成品	-	31,700
Others	其他	49,248	57,617
		978,508	848,635

25. 存貨

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26. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS

26. 應收貿易賬款及其他應收款 項以及預付款項

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Trade receivables	應收貿易賬款	1,555,495	1,392,547
Bills receivable (note i)	應收票據(附註i)	-	500
Less: allowance for doubtful debts (note ii)	減：呆賬撥備(附註ii)	-	(495,167)
allowance for credit losses (note ii)	信貸虧損撥備(附註ii)	(857,739)	-
		697,756	897,880
Advanced payments for feeds and materials	飼料及材料墊款	75,069	97,178
Input value added tax recoverable	可收回進項增值稅	2,032	21,457
Receivables from Mengniu Group in respect of disposal of property, plant and equipment (note 46)	蒙牛集團就出售物業、廠房及設備的應收款項(附註46)	1,681	-
Others	其他	4,635	5,554
		781,173	1,022,069

Notes:

- i In October 2018, Inner Mongolia Mengniu issued an one year commercial bill of RMB150,000,000 (the "Mengniu Bill") to Modern Farming. The Mengniu Bill was classified as financial asset at FVTPL because the Mengniu Bill was considered as neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell business model. Modern Farming subsequently endorsed RMB64,452,000 of the Mengniu Bill to its suppliers to settle trade payables and discounted the remaining RMB85,548,000 of the Mengniu Bill. As the endorsements and the discount were without recourse, Modern Farming derecognised the Mengniu Bill and recognised gains of RMB1,427,000 during the current year.

附註：

- i 於二零一八年十月，內蒙古蒙牛向現代牧業(集團)發行一年期商業票據人民幣150,000,000元(「蒙牛票據」)。蒙牛票據分類為按公平值計入損益的金融資產，乃由於蒙牛票據被視為並非持作收取合約現金流量或持作收取合約現金流量及出售商業模式。現代牧業(集團)隨後向其供應商就蒙牛票據人民幣64,452,000元背書，以算貿易應付款項，貼現蒙牛票據餘下人民幣85,548,000元。由於背書及貼現並無追索權，現代牧業(集團)於本年度終止確認蒙牛票據並確認收益人民幣1,427,000元。

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26. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS (continued)

Notes: (continued)

- ii 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 as at 31 December 2017 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 (the "Collaterals") 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 for the year ended 31 December 2017.

During the current year, the Group performed the impairment test of the trade receivables from the Distributors under the ECL model and an additional impairment loss of RMB358,891,000 was recognised after considering the cash flows that the Group expects to receive from the Collaterals. The movements are set out below.

26. 應收貿易賬款及其他應收款 項以及預付款項(續)

附註：(續)

- ii 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。鑒於與該等分銷商的直接經銷權已終止及遲還款，本集團預期該等分銷商於二零一七年十二月三十一日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別人士持有318,697,354股本公司普通股的抵押（「抵押品」），已就該等分銷商截至二零一七年十二月三十一日止年度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。

於本年度，本集團根據預期信貸虧損模式對分銷商應收貿易賬款進行減值評估並經考慮本集團預計從抵押品收取的現金流量確認額外減值虧損為人民幣358,891,000元。該變動載列於下文。

		Gross Amount 總額 RMB'000 人民幣千元	Provision 撥備 RMB'000 人民幣千元	Carrying Amount 賬面值 RMB'000 人民幣千元
At 1 January 2018	於二零一八年一月一日	1,069,543	(488,489)	581,054
Settlement during the current year	年內結算	(4,353)	-	(4,353)
Amounts written off as uncollectible	撇銷為無法收回的金額	(311)	311	-
Impairment losses recognised	已確認減值虧損	-	(358,891)	(358,891)
At 31 December 2018	於二零一八年 十二月三十一日	1,064,879	(847,069)	217,810

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26. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS (continued)

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk and liquid milk products. The Group allows credit periods of 30 to 120 days to its customers.

The following is the aged analysis of trade receivables and bills receivable, net of allowance for credit losses (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:

26. 應收貿易賬款及其他應收款 項以及預付款項(續)

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。本集團給予其客戶30至120天的信貸期。

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及應收票據(扣除信貸虧損(呆賬)撥備)的賬齡分析如下:

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Trade receivables	應收貿易賬款		
– within 120 days	– 120天以內	479,445	314,426
– beyond 120 days but within 1 year	– 120天以上但1年以內	–	77,583
– beyond 1 year but within 2 years	– 1年以上但2年以內	75,132	505,371
– beyond 2 years but within 3 years	– 2年以上但3年以內	143,179	–
Bills receivable	應收票據		
– within 120 days	– 120天以內	–	500
		697,756	897,880

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% 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.

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%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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26. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS (continued)

Aged analysis of trade receivables which are past due but not impaired:

26. 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
1-90 days past due	逾期1至90天	201,975
91-180 days past due	逾期91至180天	165,443
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	總計	533,504

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
At 1 January	於一月一日	1,589
Impairment losses recognised during the year	年內已確認減值虧損	495,271
Amounts written off as uncollectible	撇銷為無法收回的金額	(1,693)
At 31 December	於十二月三十一日	495,167

As at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB495,167,000.

於二零一七年十二月三十一日，呆賬撥備包括總結餘為人民幣495,167,000元的個別已減值應收貿易賬款。

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 40.

截至二零一八年十二月三十一日止年度貿易及其他應收款項減值評估詳情載列於附註40。

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27. PLEDGED BANK BALANCES AND NON- PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

Pledged bank balances and non-pledged bank deposits

27. 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

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Pledged bank balances	已質押銀行結餘	61,355	116,467
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
		61,355	131,467

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% (2017: 0.35% to 1.30%) per annum at 31 December 2018.

Non-pledged bank deposits with original maturity of more than three months were held with banks and carry interest at prevailing market saving rate of 1.56% per annum at 31 December 2017.

已質押銀行結餘指用以擔保信用證及應付票據的存款。於二零一八年十二月三十一日，已質押銀行結餘按每年介乎0.35%至1.30%（二零一七年：0.35%至1.30%）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%的現行市場存款利率計息。

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27. PLEDGED BANK BALANCES AND NON- PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES (continued)

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 0.30% to 1.61% (2017: 0.35%) per annum at 31 December 2018.

Pledged bank balances, non-pledged bank deposits and cash and bank balances at 31 December 2017 and 2018 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.

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:

27. 已質押銀行結餘、未質押銀行存款及現金及銀行結餘(續)

現金及銀行結餘

於二零一八年十二月三十一日，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0.30%至1.61%（二零一七年：0.35%）計息的原到期日為三個月或以內的短期存款。

於二零一七年及二零一八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。

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：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
US\$ – pledged bank balances	美元 – 已質押銀行結餘	–	22,751
US\$ – cash and bank balances	美元 – 現金及銀行結餘	99,466	146,581
EUR – cash and bank balances	歐元 – 現金及銀行結餘	458	1,410
HK\$ – cash and bank balances	港元 – 現金及銀行結餘	2,912	6,928

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28. TRADE AND OTHER PAYABLES

The credit period granted by suppliers for trade purchases is generally 120 days. The following is an aged analysis of trade and bills payable at the end of the reporting period:

28. 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：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Trade payables	應付貿易賬款		
– within 60 days	– 60天以內	1,177,301	926,757
– beyond 60 days but within 120 days	– 超過60天但於120天以內	230,043	296,373
– beyond 120 days but within 360 days	– 超過120天但於360天以內	27,912	44,959
– beyond 360 days but within 720 days	– 超過360天但於720天以內	19,117	10,483
Bills payable (note)	應付票據(附註)	550	61,458
		1,454,923	1,340,030
Payable for acquisition of property, plant and equipment	購買物業、廠房及設備 應付款項	224,437	393,745
Accrued staff costs	應計員工成本	84,582	84,548
Advance payments from disposal of dairy cows and others	就出售乳牛及其他的 預收款項	56,869	17,791
Amounts due to Mengniu (note 46)	應付蒙牛的款項(附註46)	143,048	–
Other payable to Mengniu (note 46)	其他應付蒙牛款項(附註46)	18,000	–
Others	其他	90,504	69,462
		2,072,363	1,905,576

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。

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29. BANK BORROWINGS

29. 銀行借款

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Bank borrowings:	銀行借款：		
Unsecured	無抵押	3,972,022	3,468,694
Secured (note)	有抵押(附註)	465,480	12,516
		4,437,502	3,481,210
Carrying amount repayable:	應於以下期限償還的賬面值：		
Within one year	一年以內	1,691,109	1,568,181
Between one to two years	一至兩年	2,316,393	516,000
Between two to five years	兩至五年	430,000	1,397,029
		4,437,502	3,481,210
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	1,691,109	1,568,181
		2,746,393	1,913,029

Note: Certain bank loans as at 31 December 2018 and 2017 were secured by biological assets owned by the Group as set out in note 24.

附註：於二零一八年及二零一七年十二月三十一日的若干銀行貸款由本集團擁有的生物資產(載於附註24)作抵押。

The bank borrowings comprise:

銀行借款包括：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Fixed-rate borrowings	定息借款	1,218,401	1,354,100
Variable-rate borrowings	浮息借款	3,219,101	2,127,110
		4,437,502	3,481,210

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29. BANK BORROWINGS (continued)

As disclosed in note 22, 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 year ended 31 December 2017 and withdrew US\$130,000,000 (equivalent to RMB824,668,000) during the current year, and the effective interest rate is 4.18% per annum.

Save as set out above, the effective interest rates of the Group's bank borrowings equal to contracted interest rates. The effective interest rates per annum are as follows:

Fixed-rate borrowings
Variable-rate borrowings

定息借款
浮息借款

	2018 二零一八年	2017 二零一七年
Fixed-rate borrowings	0.45%–5.00%	0.90%–4.79%
Variable-rate borrowings	2.65%–4.80%	2.65%–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 2018, bank borrowings denominated in RMB, US\$ and EUR are approximately RMB2,161,137,000 (2017: RMB2,236,642,000), RMB2,118,837,000 (2017: RMB1,142,419,000) and RMB157,528,000 (2017: RMB102,149,000), respectively.

29. 銀行借款(續)

誠如附註22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。本集團於截至二零一七年十二月三十一日止年度提取170,000,000美元(相當於人民幣1,127,603,000元)，並於本年度提取130,000,000美元(相當於人民幣824,668,000元)，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等同於合約利率。以下為實際年利率：

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。

於二零一八年十二月三十一日，以人民幣、美元及歐元計值的銀行借款分別約為人民幣2,161,137,000元(二零一七年：人民幣2,236,642,000元)、人民幣2,118,837,000元(二零一七年：人民幣1,142,419,000元)及人民幣157,528,000元(二零一七年：人民幣102,149,000元)。

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30. MEDIUM-TERM NOTES

30. 中期票據

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Within one year	一年以內	621,880	1,267,437
Between one to two years	一年至兩年	-	599,458
		621,880	1,866,895
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)	621,880	1,267,437
Amount due after one year	一年後到期款項	-	599,458

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. These notes were repaid on 21 March 2018.
- 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. These notes were repaid on 9 February 2018.

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%。該等票據已於二零一八年三月二十一日支付。
- 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%。該等票據已於二零一八年二月九日支付。

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31. CORPORATE BONDS

31. 公司債券

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Corporate bonds	公司債券	1,087,568	1,084,867
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)	1,087,568	39,106
Amount due after one year	一年後到期款項	-	1,045,761

Notes:

- i. In June 2016, Modern Farming 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, Modern Farming issued the first tranche of the corporate bonds of an aggregate principal amount of RMB250,000,000 which will mature in three years (the "2016 Corporate Bond"). 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, Modern Farming issued the second tranche of corporate bonds of an aggregate principal amount of RMB800,000,000 which will mature in three years (the "2017 Corporate Bond"). 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.

Pursuant to the corporate bond prospectus, the bondholders are granted a redemption option after 27 March 2019. Accordingly, the 2017 Corporate Bond is classified as current liability in the consolidated statement of financial position as at 31 December 2018.

附註：

- i. 於二零一六年六月，現代牧業(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，現代牧業(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(「二零一六年公司債券」)。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，現代牧業(集團)發行第二批公司債券，本金總額為人民幣800,000,000元，將於三年後到期(「二零一七年公司債券」)。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%。

根據公司債券募集說明書，債券持有人於二零一九年三月二十七日後獲授贖回權。因此，於二零一八年十二月三十一日，二零一七年公司債券歸於綜合財務狀況表中流動負債一項。

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32. OTHER BORROWINGS

32. 其他借款

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Principal amounts payable:	應付本金金額：		
Within one year	一年內		
– Collateralised borrowing (note)	– 有抵押借款(附註)	–	39,604
– Borrowings from Mengniu Group (note 46(d))	– 蒙牛集團借款(附註46(d))	1,001,111	1,066,511
		1,001,111	1,106,115
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)	1,001,111	1,106,115
Amounts due after one year	一年後到期結算款項	–	–

Note: In June 2016, Bengbu, which was formerly a subsidiary of the Group and became an associate since the end of March 2018, 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 and meanwhile leased back. Upon the maturity of the lease, Bengbu is entitled to purchase back the equipment at cash consideration of RMB100. Despite the arrangement involves a legal form of a lease, Bengbu 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，本集團前附屬公司蚌埠(並自二零一八年三月底起成為聯營公司)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.轉讓本集團若干設備的法定業權並同時租回。於租賃到期時，蚌埠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，但蚌埠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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33. DEFERRED INCOME

33. 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 2017	於二零一七年一月一日的結餘	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
Addition	添置	11,899
Decrease due to disposal of subsidiaries (note 38)	自出售附屬公司的減少(附註38)	(24,630)
Released to income	撥至收入	(19,067)
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	152,689

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。

34. CONTRACT LIABILITIES

34. 合約負債

2018
二零一八年
RMB'000
人民幣千元

Sales of raw milk	銷售原料奶	232
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35. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES

35. 股本以及股份溢價及儲備

Share capital

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 2017, 31 December 2017 and 2018	每股0.1港元的普通股 法定於 二零一七年一月一日、 二零一七年及二零一八年 十二月三十一日	10,000,000	1,000,000
Issued and fully paid At 1 January 2017	已發行及繳足 於二零一七年一月一日	5,304,768	530,477
Ordinary shares issued for acquisition of non-controlling interests (note 37(a))	為收購非控股權益而發行的 普通股(附註37(a))	338,602	33,860
Ordinary shares issued for settlement of Modified Considerations (defined below) (note)	為結算經修訂代價而發行的 普通股(定義見下文)(附註)	488,037	48,804
At 31 December 2017 and 2018	於二零一七年及二零一八年 十二月三十一日	6,131,407	613,141
		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Presented as	呈列為	526,058	526,058

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35. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES (continued)

Share capital (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.

35. 股本以及股份溢價及儲備(續)

股本(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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35. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES (continued)

Share capital (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.

35. 股本以及股份溢價及儲備(續)

股本(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。

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35. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES (continued)

Share capital (continued)

Note: (continued)

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.

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.

35. 股本以及股份溢價及儲備(續)

股本(續)

附註:(續)

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。

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48,804,000港元(相當於人民幣43,157,000元)之間的差額，並記錄於股份溢價。



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35. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES (continued)

Other reserve

其他儲備

		Other reserve 其他儲備 RMB'000 人民幣千元
Balance at 1 January 2017 (note)	於二零一七年一月一日的結餘(附註)	1,585,752
Acquisition of non-controlling interests (note 37(a))	收購非控股權益(附註37(a))	(555,297)
Deemed acquisition of non-controlling interests (note 37(b))	視作收購非控股權益(附註37(b))	(50,502)
At 31 December 2017 and 2018	於二零一七年及二零一八年十二月三十一日	979,953

Note: The balance of other reserve as at 1 January 2017 mainly represented the contribution from the owners of the Company for the operation of the Group.

附註：於二零一七年一月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 2017	於二零一七年一月一日的結餘	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
Purchase of ordinary shares for the share award scheme (note 36(c))	就股份獎勵計劃購買普通股(附註36(c))	23,583
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	85,720

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36. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Schemes

The Company has three outstanding share options and two of them was vested as at 31 December 2016. Details of the third one is set out in the below paragraphs.

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.

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.

36. 以股份支付的付款交易

(a) 購股權計劃

本集團有三項尚未行使購股權，其中兩項於二零一六年十二月三十一日已歸屬。有關第三項尚未行使購股權的詳情載列於下文各段。

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。

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。

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share Option Schemes (continued)

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.

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 year ended 31 December 2017:

Category	Outstanding as at 1 January 2017 於二零一七年一月一日 尚未行使	Forfeited during the year 年內沒收	Accepted the Offer during the year 年內接受要約	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)	-

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.

36. 以股份支付的付款交易(續)

(a) 購股權計劃(續)

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」)。

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：	五(5)年，由購股權已歸屬日期起計

下表披露於截至二零一七年十二月三十一日止年度購股權III的變動：

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)。

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share Option Schemes (continued)

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

Grant date share price	授出日期的股價
Exercise price	行使價
Expected volatility	預期波幅
Option life	購股權期限
Dividend yield	股息收益
Risk-free interest rate	無風險利率
Sub-optional factor	次佳因素

Expected volatility was determined by using the historical volatility of the Company's share price over the years since being listed.

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.

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 schemes and one grantee of Modern Farming Option Scheme (see below) accepted the offer and therefore all of the outstanding options issued under Share Option Schemes and 9,142,924 share options of Modern Farming Option Scheme were acquired and cancelled by Mengniu. The cancellation of share options that have not been vested is accounted for as acceleration of vesting, resulting in an one-off share option expense of RMB92,623,000 recognised upon the cancellation and the amount of RMB204,543,000 previously recognised in share options reserve in respect of these cancelled share option schemes was transferred to retained earnings.

36. 以股份支付的付款交易(續)

(a) 購股權計劃(續)

以下假設乃用作計算購股權III的公平值：

Share Options I	Share Options J
購股權I	購股權J

HK\$1.71 港元	HK\$1.71 港元
HK\$1.71 港元	HK\$1.71 港元
46.55%	46.55%
Five years 五年	Five years 五年
0.00%	0.00%
0.92%	0.92%
2.8	2.2

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。

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。

於二零一七年二月，蒙牛公司進行強制性現金要約(「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，所有購股權計劃的承授人及一名現代牧業購股權計劃(見下文)的承授人接納該要約，因此，根據購股權計劃發行的所有尚未行使購股權及現代牧業購股權計劃的9,142,924份購股權已由蒙牛公司購得並註銷。註銷尚未歸屬的購股權列賬為加快歸屬，產生的一次性購股權開支人民幣92,623,000元於註銷後確認，而就該等已註銷購股權計劃先於購股權儲備確認的金額人民幣204,543,000元已轉撥至保留盈利。

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) 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.

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. There are no other movements such as granted, exercised, forfeited, and expired both in current and prior year.

36. 以股份支付的付款交易(續)

(b) 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%。

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。本年度及過往年度概無其他變動(如已授出、已行使、已沒收及已到期)。

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Modern Farming Option Scheme (continued)

36. 以股份支付的付款交易(續)

(b) 現代牧業購股權計劃(續)

Category	類別	Outstanding	Accepted the	Outstanding and
		as at 1 January 2018	Offer during the year	exercisable as at 31 December 2018
		於二零一八年 一月一日 尚未行使	年內 接受要約	於二零一八年 十二月三十一日 尚未行使 及可行使
Management Options	管理層購股權	50,930,832	-	50,930,832

Category	類別	Outstanding	Accepted the	Outstanding and
		as at 1 January 2017	Offer during the year	exercisable as at 31 December 2017
		於二零一七年 一月一日 尚未行使	年內 接受要約	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

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share Award Scheme

(i) Share Award Scheme I

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. 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 the year ended 31 December 2017, 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").

36. 以股份支付的付款交易(續)

(c) 股份獎勵計劃

(i) 股份獎勵計劃I

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)。截至二零一七年十二月三十一日止年度，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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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share Award Scheme (continued)

(i) Share Award Scheme I (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 are accounted for as a debit to the Group's reserve and are presented under the account of "Shares held under the Share Award Schemes" 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.

36. 以股份支付的付款交易(續)

(c) 股份獎勵計劃(續)

(i) 股份獎勵計劃I(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週年歸屬，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週年歸屬，惟彼等須仍受僱於本集團。

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share Award Scheme (continued)

(i) Share Award Scheme I (continued)

The following table discloses movements of the Award Shares during the reporting period:

Category	類別	Outstanding as at 1 January 2018 於二零一八年 一月一日 尚未行使	Granted during the year 年內授出	Forfeited due to resignation during the year 年內 因辭任沒收	Outstanding as at 31 December 2018 於二零一八年 十二月三十一日 尚未行使
Award Shares A	獎勵股份A	5,687,000	-	(362,000)	5,325,000
Award Shares B	獎勵股份B	25,601,000	-	(3,178,000)	22,423,000
		31,288,000	-	(3,540,000)	27,748,000

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 due to resignation during the year 年內 因辭任沒收	Outstanding as at 31 December 2017 於二零一七年 十二月三十一日 尚未行使
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

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 RMB6,843,000) and HK\$36,265,000 (equivalent to RMB32,102,000) respectively.

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6,843,000元)及36,265,000港元(相當於人民幣32,102,000元)。

36. 以股份支付的付款交易(續)

(c) 股份獎勵計劃(續)

(i) 股份獎勵計劃I(續)

下表披露獎勵股份於報告期間的變動：

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share Award Scheme (continued)

(i) Share Award Scheme I (continued)

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 港元	HK\$1.66 港元
Strike Price	行使價	HK\$1.66 港元	HK\$1.66 港元
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 港元	HK\$0.42 港元

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 RMB8,646,000 (2017: RMB14,517,000) accordingly during the current year.

36. 以股份支付的付款交易(續)

(c) 股份獎勵計劃(續)

(i) 股份獎勵計劃I(續)

採用以下假設計算獎勵股份的公平值：

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8,646,000元(二零一七年：人民幣14,517,000元)。

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share Award Scheme (continued)

(II) Share Award Scheme II

On 26 March 2018 (the "Adoption Date II"), the Company adopted a share award scheme (the "Share Award Scheme II") 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 II is valid and effective for a period of 10 years commencing on the Adoption Date II. The shares to be awarded under the Share Award Scheme II will be acquired by the Company through Dairy Fortune 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. The maximum number of shares which may be purchased by the Trustee is set at no more than 1% of the number of issued ordinary shares of the Company at the preceding annual general meeting. During the year ended 31 December 2018, based on the Company's instructions, the Dairy Fortune purchased a total of 20,000,000 ordinary shares of the Company on open market at a total consideration of approximately HK\$28,835,000 (equivalent to RMB23,583,000).

As described above, the ordinary shares of the Company held by Dairy Fortune are accounted for as a debit to the Group's reserve and are presented under the account of "Shares held under the Share Award Schemes" in the consolidated financial statements.

36. 以股份支付的付款交易(續)

(c) 股份獎勵計劃(續)

(II) 股份獎勵計劃II

於二零一八年三月二十六日(「採納日期II」)，本公司採納一項股份獎勵計劃(「股份獎勵計劃II」)，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II有效期十年，自採納日期II起生效。根據股份獎勵計劃II將獎勵的股份將由本公司透過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，直至將有關股份歸屬。受託人可購入的股份數目上限設定為不得超過本公司於上一屆股東週年大會上已發行普通股數目的1%。截至二零一八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20,000,000股本公司普通股，總代價約為28,835,000港元(相當於人民幣23,583,000元)。

如上文所述，Dairy Fortune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。

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37. 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 of 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.

37. 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33,860,000港元(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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38. DISPOSAL OF SUBSIDIARIES

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 interest of Feidong and Bengbu respectively at an aggregate cash consideration of RMB56,040,000. The disposals were completed on 29 March 2018 and 26 March 2018, respectively on which date the Group lost control of Feidong and Bengbu.

38. 出售附屬公司

於二零一八年一月二十二日，現代牧業與內蒙古蒙牛訂立兩份股份轉讓協議，據此，現代牧業同意出售及內蒙古蒙牛同意分別收購肥東及蚌埠的50%股權，現金代價合共為人民幣56,040,000元。該出售事項分別於二零一八年三月二十九日及二零一八年三月二十六日(本集團於該日期失去對肥東及蚌埠的控制權)完成。

Consideration received:	已收代價：	RMB'000 人民幣千元
Cash received	已收現金	56,040
Analysis of assets and liabilities over which control was lost:		
	失去控制權的資產及負債分析：	RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	439,882
Land use rights	土地使用權	4,674
Inventories	存貨	17,915
Trade and other receivables	應收貿易賬款及其他應收款項	137,341
Cash and bank balances	現金及銀行結餘	147,600
Bank borrowings	銀行借款	(394,213)
Other borrowings	其他借款	(93,526)
Trade and other payables	應付貿易賬款及其他應付款項	(141,156)
Deferred income	遞延收入	(24,630)
Net assets disposed of	出售的資產淨值	93,887
Gain on disposal of subsidiaries:		
	出售附屬公司的收益：	
Consideration received	已收代價	56,040
Interest in associates	於聯營公司的權益	56,040
Net assets disposed of	已出售的資產淨值	(93,887)
Gain on disposal	出售收益	18,193

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38. DISPOSAL OF SUBSIDIARIES (continued)

38. 出售附屬公司(續)

Net cash outflow arising on disposal:	出售事項產生的現金流出淨額：	RMB'000 人民幣千元
Cash consideration	現金代價	56,040
Less: bank balances and cash disposed of	減：已出售的銀行結餘及現金	(147,600)
		(91,560)

39. 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, medium-term notes, corporate bonds and other borrowings as disclosed in notes 29, 30, 31 and 32 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.

39. 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29、30、31及32)，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。

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40. FINANCIAL INSTRUMENTS

Categories of financial instruments

40. 金融工具

金融工具類別

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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
Financial assets at amortised cost	按攤銷成本計量的 金融資產	1,468,146	-
AFS equity investments	可供出售權益投資	-	12,934
Equity instruments at FVTOCI	按公平值計入其他全面 收入的權益工具	2,508	-
Derivative financial instruments	衍生金融工具		
- Interest rate swaps - US\$	- 利率掉期 - 美元	40,774	31,704
- Foreign currency forward contracts	- 外幣遠期合約	39,025	-
- Foreign currency option	- 外幣期權	625	-
Financial liabilities:	金融負債：		
Amortised cost	攤銷成本	9,060,972	9,342,324
Derivative financial instruments	衍生金融工具		
- Interest rate swaps - HK\$	- 利率掉期 - 港元	12,601	-
- Foreign currency forward contracts	- 外幣遠期合約	3,631	-
- Foreign currency option	- 外幣期權	1,497	-

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, other financial assets, financial assets at FVTPL, trade and other receivables, pledged bank balances, non-pledged bank deposits, cash and bank balances, trade and other payables, bank and other borrowings, medium-term notes, corporate bonds and derivative financial instruments. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate 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 2018, the major assets denominated in foreign currency are cash and bank balances disclosed in note 27. The major liabilities denominated in foreign currency are bank borrowings disclosed in note 29.

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 or currency option contracts, when necessary.

Foreign currency sensitivity analysis

2% (2017: 2%) is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates.

40. 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按公平值計入其他全面收入的權益工具、應收貿易賬款及其他應收款項、按公平值計入損益的金融資產、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、中期票據、公司債券及衍生金融工具。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(貨幣風險及利息風險)、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。

於二零一八年十二月三十一日，以外幣計值的主要資產為附註27所披露的現金及銀行結餘。以外幣計值的主要負債為附註29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或貨幣期權合約(如需要)，以管理其外匯風險。

外幣敏感度分析

2%(二零一七年: 2%)的敏感率代表管理層對外匯匯率合理可能變動的評估。

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity analysis (continued)

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 or a foreign currency option 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:

40. 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(續)

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：

		Decrease (increase) in post-tax loss 除稅後虧損 減少(增加) 2018 二零一八年 RMB'000 人民幣千元	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
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	1,989	3,387
– bank borrowings	– 銀行借款	(1,649)	(22,848)
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	9	28
– bank borrowings	– 銀行借款	(12)	(2,043)
Total	總計	337	(21,476)

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity analysis (continued)

For a 2% strengthening of the RMB against US\$ or EUR, there would be an equal and opposite impact on the post-tax loss.

(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, 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 the current year, three interest rate swap contracts had been entered by the Group to mitigate its cash flow interest rate risk (2017: four).

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 (2017: 50) basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

40. 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(續)

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。

(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、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，本集團已訂立三份利率掉期合約以減輕其現金流量利率風險(二零一七年：四份)。

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(二零一七年：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。

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

At the end of reporting period, if interest rates had been increased/decreased by 50 (2017: 50) basis points and all other variables were held constant, the Group's loss for the current year would have increased/decreased by RMB5,906,000 (2017: RMB5,877,000).

Credit risk and impairment assessment

As at 31 December 2018, 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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with trade receivables from the Distributors is mitigated because they are secured over ordinary shares of the Company held by five third-party companies incorporated in British Virgin Islands.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

40. 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(續)

利率敏感度分析(續)

於報告期末，倘利率增加/減少50個基點(二零一七年：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5,906,000元(二零一七年：人民幣5,877,000元)。

信貸風險及減值評估

於二零一八年十二月三十一日，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。本集團並無持有任何抵押品或其他信貸增強措施以為其金融資產相關信貸風險提供保障，惟與自分銷商應收貿易賬款相關的信貸風險而減輕除外，因該等款項由在英屬處女群島註冊成立的五間第三方公司持有的本公司普通股作抵押。

客戶合約產生的應收貿易賬款

為盡量降低信貸風險，本集團管理層已指定團隊負責決定信貸額度及信貸批核。接納任何新客戶前，本集團利用內部信貸評分系統對潛在客戶的信貸質素進行評估並且釐定其信貸額度。客戶應估的限額與評級每年審閱兩次。已制定其他監察程序，以確保採取跟進行動收回逾期債務。此外，本集團在應用國際財務報告準則第9號後按預期信貸虧損模式(二零一七年：已招虧損模式)個別對貿易結餘進行減值評估或基於撥備矩陣進行減值評估。就此而言，董事認為本集團的信貸風險已大幅減少。

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

(continued)

The credit risks on bank balances are limited because the counterparties are authorised banks in the PRC.

The Group has concentration of credit risk as approximately 60% of total trade receivables as at 31 December 2018 (2017: 25%) was receivable due from the Mengniu Group, the Group's largest customer and a related party of the Company.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating 內部信貸評級	Description 說明	Trade receivables 應收貿易賬款	Other financial assets 其他金融資產
Low risk 低風險	The counterparty has a low risk of default and does not have any past-due amounts 交易對手方的違約風險較低，且並無任何逾期款項	Lifetime ECL – not credit-impaired 全期預期信貸虧損 – 非信貸不良	12m ECL 12個月預期信貸虧損
Doubtful 存疑	There have been significant increases in credit risk since initial recognition through information developed internally or external resources 透過內部編製的資料及外部來源顯示信用風險自初始確認以來顯著增加	Lifetime ECL – not credit-impaired 全期預期信貸虧損 – 非信貸不良	Lifetime ECL – not credit-impaired 全期預期信貸虧損 – 非信貸不良
Loss 損失	There is evidence indicating the asset is credit-impaired 有證據顯示有關資產已信貸不良	Lifetime ECL – credit-impaired 全期預期信貸虧損 – 信貸不良	Lifetime ECL – credit-impaired 全期預期信貸虧損 – 信貸不良

40. 金融工具(續)

金融風險管理的目標及政策(續)

信貸風險及減值評估(續)

客戶合約產生的應收貿易賬款(續)

由於對手方是中國的認可銀行，故銀行結餘的信貸風險極為有限。

本集團存在信貸風險集中的情況，原因為於二零一八年十二月三十一日的應收貿易賬款總額中約60%(二零一七年：25%)為應收本集團最大客戶兼本公司關連方蒙牛集團的款項。

本集團內部信貸評級包括以下類別：

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FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

(continued)

Internal credit rating 內部信貸評級	Description 說明	Trade receivables 應收貿易賬款	Other financial assets 其他金融資產
Write-off 撇銷	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery 有證據顯示債務人陷入嚴重的財務困難且本集團不認為日後可收回有關款項	Amount is written off 撇銷金額	Amount is written off 撇銷金額

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

下表詳列本集團根據預期信貸虧損評估的金融資產信貸風險：

Note 附註	Internal credit rating 內部信貸評級	12m or lifetime ECL 12個月或全期 預期信貸虧損	Gross carrying amount As at 31 December 2018 於二零一八年十二月三十一日 的賬面總值
			RMB'000 人民幣千元

Financial assets at amortised costs

按攤銷成本計量的金融資產

Pledged bank balances 已質押銀行結餘	27	N/A 不適用	12m ECL 12個月預期信貸 虧損	61,355
Bank balances 銀行結餘	27	N/A 不適用	12m ECL 12個月預期信貸 虧損	703,005

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

(continued)

40. 金融工具(續)

金融風險管理的目標及政策(續)

信貸風險及減值評估(續)

客戶合約產生的應收貿易賬款(續)

	Note	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
	附註	內部信貸評級	12個月或全期預期信貸虧損	As at 31 December 2018	
				於二零一八年十二月三十一日的賬面總值	
				RMB'000	RMB'000
				人民幣千元	人民幣千元
Other receivables – amount due from Mengniu	26	Low risk	12m ECL	1,681	
其他應收款項 – 其他蒙牛款項		低風險	12個月預期信貸虧損		
Other receivables – others		Low risk	12m ECL	4,315	
其他應收款項 – 其他		低風險	12個月預期信貸虧損		
Other receivables – others		Loss	Lifetime ECL	3,569	9,565
其他應收款項 – 其他		損失	(credit-impaired) 全期預期信貸虧損 (信貸不良)		
Trade receivables – raw milk (note)	26	Low risk	Lifetime ECL	479,445	
應收貿易賬款 – 原料奶(附註)		低風險	(not credit-impaired) 全期預期信貸虧損 (非信貸不良)		
Trade receivables – liquid milk product (Distributors) (note)	26	Loss	Lifetime ECL	1,064,879	
應收貿易賬款 – 液態奶產品(分銷商)(附註)		損失	(credit-impaired) 全期預期信貸虧損 (信貸不良)		
Trade receivables – liquid milk product (others) (note)	26	Loss	Lifetime ECL	11,171	1,555,495
應收貿易賬款 – 液態奶產品(其他)(附註)		損失	(credit-impaired) 全期預期信貸虧損 (信貸不良)		

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. As at 1 January 2018, except for debtors of dairy farming and debtors of liquid milk products with significant balances, the Group determines the expected credit losses on other debtors of liquid milk products by using a provision matrix, grouped by aging analysis since there was large number of liquid milk products customers. As at 31 December 2018, the Group determines the expected credit losses for all items individually since there are few numbers of customers for trade receivables.

附註：就應收貿易賬款而言，本集團已應用國際財務報告準則第9號內的簡化方法，按全期預期信貸虧損計量虧損撥備。於二零一八年一月一日，除對仍有重大結餘的奶牛養殖債務人及液態奶產品債務人外，本集團採用撥備矩陣釐定於其他液態奶產品債務人的預期信貸虧損，及按賬齡分析分組，乃由於有大量液態奶產品客戶。於二零一八年十二月三十一日，本集團個別釐定所有項目的預期信貸虧損，乃由於貿易應收款項的客戶數目少。

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FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

(continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

40. 金融工具 (續)

金融風險管理的目標及政策 (續)

信貸風險及減值評估 (續)

客戶合約產生的應收貿易賬款 (續)

下表列示根據簡化方法已確認應收貿易賬款於全期預期信貸虧損的變動。

Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
全期預期 信貸虧損 (非信貸不良)	全期預期 信貸虧損 (信貸不良)	總計
RMB'000	RMB'000	RMB'000
人民幣千元	人民幣千元	人民幣千元

As at 31 December 2017 under IAS 39	於二零一七年十二月三十一日根據 國際會計準則第39號	–	495,167	495,167
Adjustment upon application of IFRS 9	應用國際財務報告準則第9號後 的調整	1,660	–	1,660
As at 1 January 2018 – As restated	於二零一八年一月一日 – 經調整	1,660	495,167	496,827
Changes due to financial instruments recognised as at 1 January:	於一月一日由於已確認金融工具 引致的變動：			
– Transfer to credit-impaired	– 轉至信貸不良	(1,660)	1,660	–
– Impairment losses recognised (Distributors)	– 已確認減值虧損(分銷商)	–	358,891	358,891
– Impairment losses recognised (Others)	– 已確認減值虧損(其他)	–	5,365	5,365
– Impairment losses reversed	– 已撥回減值虧損	–	(163)	(163)
– Write-offs (Distributors)	– 撇銷(分銷商)	–	(311)	(311)
– Write-offs (others)	– 撇銷(其他)	–	(2,870)	(2,870)
As at 31 December 2018	於二零一八年十二月三十一日	–	857,739	857,739

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowance for trade receivables are mainly due to:

40. 金融工具(續)

金融風險管理的目標及政策(續)

信貸風險及減值評估(續)

應收貿易賬款虧損撥備變動主要因：

		31/12/2018 二零一八年十二月三十一日	
		Increase/(decrease) in lifetime ECL 全期預期信貸虧損 增加/(減少)	
		Not credit- impaired 非信貸不良 RMB'000 人民幣千元	Credit- impaired 信貸不良 RMB'000 人民幣千元
Trade debtors with a gross carrying amount of RMB7,526,000 defaulted and transferred to credit-impaired as at 31 December 2018	於二零一八年十二月三十一日 違約及轉至信貸不良的貿易 債務人，賬面值總值為 人民幣7,526,000元	(1,660)	7,025
Settlement in full of trade debtors with a gross carrying amount of RMB298,000	貿易債務人全數結清賬面值 總值人民幣298,000元	-	(163)
Additional recognition of ECL for trade receivables of the Distributors	就分銷商應收貿易款項確認 額外預期信貸虧損	-	358,891

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

倘有資料顯示債務人面對嚴重財務困難且收回款項的機率不大(如債務人遭清盤或啟動破產程序，以較早者為準)，本集團將撇銷應收貿易賬款。

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FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

40. FINANCIAL INSTRUMENTS (continued) Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

40. 金融工具 (續) 金融風險管理的目標及政策 (續)

信貸風險及減值評估 (續)

下表列示已確認其他應收款項虧損撥備的對賬。

		Lifetime ECL (credit-impaired) 全期預期信貸 虧損(信貸不良) RMB'000 人民幣千元
As at 31 December 2017 under IAS 39	於二零一七年十二月三十一日 根據國際會計準則第39號	110
Adjustment upon application of IFRS 9	應用國際財務報告準則第9號後 的調整	-
As at 1 January 2018 – As restated	於二零一八年一月一日 – 經調整	110
Changes due to financial instruments recognized as at 1 January:	於一月一日由於已確認金融工具 引致的變動：	
– Write-offs	– 撇銷	(110)
– New financial assets originated	– 源生的新金融資產	3,569
As at 31 December 2018	於二零一八年十二月三十一日	3,569
Changes in the loss allowance for other receivables are mainly due to:		其他應收款項虧損撥備的變動主要由 於：
		31/12/2018 二零一八年 十二月三十一日 Increase in lifetime ECL Credit-impaired 全期預期信貸 虧損增加 信貸不良 RMB'000 人民幣千元
One new debtor of other receivables defaulted as at 31 December 2018	於二零一八年十二月三十一日違約 的一項新其他應收債務人款項	3,569

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk

The Group had net current liabilities of RMB3,883,813,000 as at 31 December 2018 (31 December 2017: RMB3,181,917,000). 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 RMB4,954,736,000 which remains unutilised as at 31 December 2018. These facilities include a facility of HK\$1,500,000,000 (equivalent to RMB1,314,300,000) under a facility agreement with several banks expiring in September 2021 and a facility of RMB500,000,000 from Inner Mongolia Mengniu expiring in May 2020 (note 46(d)). 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, including a facility of RMB500,000,000 from Inner Mongolia Mengniu 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 funds for the daily operation and capital expenditure are sufficient.

40. 金融工具(續)

金融風險管理的目標及政策(續)

流動資金風險

本集團於二零一八年十二月三十一日的流動負債淨額為人民幣3,883,813,000元(二零一七年十二月三十一日:人民幣3,181,917,000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4,954,736,000元,於二零一八年十二月三十一日仍未動用。該等融資包括一項根據與若干銀行訂立融資協議(於二零二一年九月到期)為1,500,000,000港元的融資(相當於人民幣1,314,300,000元)及一項自內蒙古蒙牛為人民幣500,000,000元的融資(於二零二零年五月到期)(附註46(d))。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(包括來自內蒙古蒙牛的融資人民幣500,000,000元)。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,日常經營資本開支所需的流動資金及資金來源充足。

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

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.

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, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. 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.

40. 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)

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。

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合約現金流量(流入)及流出淨額以及該等需要總額結算的衍生品的未貼現總(流入)及流出。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。

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

40. 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	181日至 365日 RMB'000	1至2年 RMB'000	超過2年 RMB'000	未貼現現金 流量總額 RMB'000	賬面值 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 2018	於二零一八年十二月三十一日							
Non-derivative financial liabilities	非衍生金融負債							
Non-interest bearing	不計息	-	1,560,182	352,729	-	-	1,912,911	1,912,911
Fixed interest rate bank borrowings	定息銀行借款	0.45-5.00	745,862	234,339	206,890	60,641	1,247,732	1,218,401
Variable interest rate bank borrowings	浮息銀行借款	2.65-4.80	539,073	298,858	2,187,125	383,159	3,408,215	3,219,101
Medium-term notes	中期票據	4.75	628,500	-	-	-	628,500	621,880
Other borrowings	其他借款	4.00	575,377	443,390	-	-	1,018,767	1,001,111
Corporate bonds	公司債券	5.47-5.66	843,920	263,250	-	-	1,107,170	1,087,568
			4,892,914	1,592,566	2,394,015	443,800	9,323,295	9,060,972
Derivatives-net settlement	衍生工具-以淨額結算							
Interest rate swap contracts (outflow)	利率掉期合約(流出)		1,540	3,181	4,588	3,630	12,939	12,601
Derivatives-gross settlement	衍生工具-以總額結算							
Foreign currency forward contracts	外幣遠期合約							
- inflow	- 流入		-	-	(345,805)	-	(345,805)	(330,826)
- outflow	- 流出		-	-	349,600	-	349,600	334,457
Foreign currency option contracts	外幣期權合約							
- inflow	- 流入		-	-	(819,910)	-	(819,910)	(819,910)
- outflow	- 流出		-	-	821,407	-	821,407	821,407
			-	-	5,292	-	5,292	5,128

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

40. 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	181日至365日	1至2年	超過2年	未貼現現金流量總額	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	-	1,533,732	269,505	-	-	1,803,237	1,803,237
Fixed interest rate bank borrowings	定息銀行借款	0.90-4.79	539,126	610,318	46,495	212,544	1,408,483	1,354,100
Variable interest rate bank borrowings	浮息銀行借款	2.65-6.40	170,970	407,193	577,975	1,341,435	2,497,573	2,127,110
Medium-term notes	中期票據	4.60-6.00	1,218,935	-	628,500	-	1,847,435	1,866,895
Other borrowings	其他借款	4.00-4.77	600,868	522,638	-	-	1,123,506	1,106,115
Corporate bonds	公司債券	5.30-5.49	4,814	13,250	263,250	843,920	1,125,234	1,084,867
			4,068,445	1,822,904	1,516,220	2,397,899	9,805,468	9,342,324

Note: 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：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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41. 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.

41. 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。

		Interest rate swaps (note 23)	Bank borrowings (note 29)	Medium-term notes (note 30)	Corporate bonds (note 31)	Other borrowings (note 32)	Amounts due to Mengniu (note 28)	Total
		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
At 1 January 2018	於二零一八年一月一日	-	3,481,210	1,866,895	1,084,867	1,106,115	-	7,539,087
Financing cash flows	融資現金流量	-	1,033,269	(1,286,500)	(57,170)	(55,784)	81,845	(284,340)
Fair value adjustments	公平值調整	12,601	-	-	-	-	-	12,601
Disposal of subsidiaries	出售附屬公司	-	(394,213)	-	-	(93,526)	-	(487,739)
Receipt of Mengniu Bill	收取Mengniu Bill款項	-	-	-	-	-	59,399	59,399
Foreign exchange	外匯	-	129,611	-	-	-	-	129,611
Interest expenses	利息開支	-	187,625	41,485	59,871	44,306	1,804	335,091
At 31 December 2018	於二零一八年十二月三十一日	12,601	4,437,502	621,880	1,087,568	1,001,111	143,048	7,303,710

		Interest rate swaps (note 23)	Bank borrowings (note 29)	Short-term debentures (note 30)	Medium-term notes (note 30)	Corporate bonds (note 31)	Other borrowings (note 32)	Total
		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
At 1 January 2017	於二零一七年一月一日	126	3,906,859	801,945	1,866,906	254,045	78,618	6,908,499
Financing cash flows	融資現金流量	(77)	(574,522)	(830,441)	(93,686)	783,314	1,001,909	286,497
Fair value adjustments	公平值調整	(49)	-	-	-	-	-	(49)
Foreign exchange	外匯	-	(13,580)	-	-	-	-	(13,580)
Interest expenses	利息開支	-	162,453	28,496	93,675	47,508	25,588	357,720
At 31 December 2017	於二零一七年十二月三十一日	-	3,481,210	-	1,866,895	1,084,867	1,106,115	7,539,087

Note: The cash flows from the interest rate swaps, bank borrowings, short-term debentures, medium-term notes, other borrowings, corporate bonds and amounts due to Mengniu make up the net amount of proceeds from borrowings, repayments of borrowings and interest paid in the consolidated statement of cash flows.

附註：利率掉期、銀行借款、短期債券、中期票據、其他借款、公司債券及應付蒙牛的款項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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42. FAIR VALUE MEASUREMENTS

Fair value of the Group's biological assets, financial assets and financial liabilities that are measured at fair value or fair value less cost to sell on a recurring basis

The Group's biological assets are measured at fair value less costs to sell, financial assets at FVTPL, equity investment at FVTOCI and derivative financial instruments are measured at fair value at the end of each reporting period. 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 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.

42. 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、金融資產及金融負債的公平值

本集團的生物資產按公平值減出售成本計量，按公平值計入損益的金融資產、按公平值計入其他全面收入的權益投資及衍生金融工具於各報告期末按公平值計量。董事已成立估值團隊，由本公司財務總監領導，以釐定適當的估值技術及公平值計量的輸入數據。

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。

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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42. FAIR VALUE MEASUREMENTS (continued)

Fair value hierarchy

42. 公平值計量(續)

公平值級別

Assets/(liabilities)		Fair value as at 31 December 2018 於二零一八年 十二月三十一日 的公平值 RMB'000 人民幣千元	Fair value as at 31 December 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 hierarchy
資產/(負債)				公平值 級別
Biological assets	生物資產	7,717,113	7,751,070	level 3 第三級
Financial asset at FVTPL	按公平值計入損益的 金融資產			
- Interest rate swaps	- 利率掉期	40,774	N/A 不適用	level 2 第二級
- Foreign currency forward contracts	- 外匯遠期合約	39,025	N/A 不適用	level 2 第二級
- Foreign currency option contracts	- 外匯期權合約	625	N/A 不適用	level 2 第二級
Other financial assets	其他金融資產			
- Interest rate swaps	- 利率掉期	N/A 不適用	31,704	level 2 第二級
Equity instruments at FVTOCI	按公平值計入其他全面收入 的權益工具			
- Unquoted equity investments	- 未報價權益投資	2,508	N/A 不適用	level 3 第三級
Derivative financial instruments	衍生金融工具			
- Interest rate swaps	- 利率掉期	(12,601)	N/A 不適用	level 2 第二級
- Foreign currency forward contracts	- 外匯遠期合約	(3,631)	N/A 不適用	level 2 第二級
- Foreign currency option contracts	- 外匯期權合約	(1,497)	N/A 不適用	level 2 第二級

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42. 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:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
類型	估值方法	重大不可觀察輸入數據	重大不可觀察輸入數據與公平值計量之間的相互關係
Foreign currency forward contracts 外匯遠期合約	Discounted cash flow Future cash flow are estimated based on forward exchange rates (from observable forward exchange rates 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遠期匯率)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
Foreign currency option contracts 外匯期權合約	Garman-Kohlhagen model Garman-Kohlhagen 模型	N/A 不適用	N/A 不適用
Interest rate swaps 利率掉期	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

42. 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:

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42. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

42. 公平值計量(續)

公平值計量使用的估值方法(續)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
類型	估值方法	重大不可觀察輸入數據	重大不可觀察輸入數據與公平值計量之間的相互關係
Unquoted equity investments 未報價權益投資	Market approach 市場法	Fair value is estimated based on value of comparable listed companies and discounted for lack of liquidity. 公平值乃按可資比較上市公司的價值作出估計及就流動性不足貼現。	An increase in the discounted for lack of liquidity would result in a smaller percentage decrease in the fair value measurement of unquoted equity investments. 流動性不足貼現增加可導致未報價權益投資公平值計量的比例減少。
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 RMB22,700 per head at 31 December 2018 (2017: RMB23,700). 於二零一八年十二月三十一日，14個月的小母牛的平均當地市場售價估計為每頭人民幣22,700元(二零一七年：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. 所用的估計當地市場售價增加將導致小母牛及小牛公平值計量的較小比例增加，反之亦然。

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42. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

42. 公平值計量(續)

公平值計量使用的估值方法(續)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
類型	估值方法	重大不可觀察輸入數據	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 RMB16,240 at 31 December 2018 (2017: RMB15,171); average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB16,620 at 31 December 2018 (2017: RMB16,025).</p> <p>於二零一八年十二月三十一日，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16,240元（二零一七年：人民幣15,171元）；於二零一八年十二月三十一日，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16,620元（二零一七年：人民幣16,025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>所用的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的極小比例增加/減少，反之亦然。</p>

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42. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

42. 公平值計量(續)

公平值計量使用的估值方法(續)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
類型	估值方法	重大不可觀察輸入數據	重大不可觀察輸入數據與公平值計量之間的相互關係
Milkable cows 奶牛	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. 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。	The estimated feed costs per kg of raw milk used in the valuation process are RMB1.89 for the year ended 31 December 2018 (2017: RMB1.90), based on the historical average feed costs per kg of raw milk after taking into consideration of inflation. 截至二零一八年十二月三十一日止年度, 估值過程中使用的每公斤原料奶估計飼養成本為人民幣1.89元(二零一七年: 人民幣1.90元), 乃基於每公斤原料奶的歷史平均飼養成本並計及通貨膨脹釐定。 A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield at each lactation cycle ranges from 26.5 kg to 28.7 kg for the year ended 31 December 2018 (2017: 26.3 kg to 28.3 kg), depending on the number of the lactation cycles and the individual physical condition. 奶牛有六個哺乳期。截至二零一八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26.5公斤至28.7公斤(二零一七年: 26.3公斤至28.3公斤), 視哺乳期數目以及個別身體狀況而定。	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. 所用的每公斤原料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。 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. 所用的估計每頭牛每日產奶量增加可導致奶牛公平值計量的較小比例提高, 反之亦然。

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42. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

42. 公平值計量(續)

公平值計量使用的估值方法(續)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
類型	估值方法	重大不可觀察輸入數據	重大不可觀察輸入數據與公平值計量之間的相互關係
		<p>Estimated local future market price for raw milk is RMB3.86 per kg at 31 December 2018 (2017: RMB3.83 per kg).</p> <p>於二零一八年十二月三十一日，估計當地未來原料奶市價為每公斤人民幣3.86元(二零一七年：每公斤人民幣3.83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>所用的原料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 11.80% at 31 December 2018 (2017: 12.70%).</p> <p>於二零一八年十二月三十一日，所用估計未來現金流量的貼現率為11.80%(二零一七年：12.70%)。</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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42. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements

42. 公平值計量(續)

第三級公平值計量的對賬

		Equity instruments at FVTOCI 按公平值計入其他全面收入的權益工具 RMB'000 人民幣千元
Balance at 1 January 2018	於二零一八年一月一日的結餘	12,934
Purchases	購買	1,100
Total losses in OCI	於其他全面收入的虧損總額	(11,526)
At 31 December 2018	於二零一八年十二月三十一日	2,508

The reconciliation from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in note 24.

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24。

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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43. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments under operating leases recognised during the year is RMB11,109,000 (2017: RMB10,978,000).

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:

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Within one year	一年以內	12,924	9,485
In the second to fifth year inclusive	第二年至第五年 (包括首尾兩年)	44,596	2,225
Over five years	超過五年	243	183
		57,763	11,893

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.

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。

44. CAPITAL COMMITMENTS

44. 資本承擔

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	7,812	41,857

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45. MAJOR NON-CASH TRANSACTIONS

In October 2018, Inner Mongolia Mengniu issued a Mengniu Bill to Modern Farming. The fair value of the Mengniu Bill was RMB141,244,000 when received and the corresponding payable to Mengniu was recognised in other payable. Modern Farming recognised interest expense of RMB1,804,000 on the payable to Mengniu under amortised cost method.

45. 重大非現金交易

於二零一八年十月，內蒙古蒙牛向現代牧業(集團)發行蒙牛票據。蒙牛票據於收取時公平值為人民幣141,244,000元，而相應應付蒙牛款項於其他應付款項確認。向現代牧業(集團)按攤銷成本法就應付蒙牛款項確認利息開支人民幣1,804,000元。

46. 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

46. 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

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Trade receivable – raw milk Within 30 days based on invoice date	應收貿易賬款 – 原奶 按發票日計30天以內	418,464	182,063
Trade receivable – liquid milk Within 30 days based on invoice date	應收貿易賬款 – 液態奶 按發票日計30天以內	–	39,335
Other receivable – disposal of equipment	其他應收款項 – 出售設備	1,681	–

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46. RELATED PARTY TRANSACTIONS (continued)

b. (continued)

Amounts due to

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Amounts due to Mengniu (note 45)	應付蒙牛款項(附註45)	143,048	-
Other payable (note)	其他應付款項(附註)	18,000	-

Note: The other payable of RMB18,000,000 was advances received with certain conditions from Mengniu to stimulate the Group to steadily expand the raw milk supply to Mengniu for the year ending 31 December 2019. It was uncertain that the Group would fulfil certain conditions of sales in the year ending 31 December 2019, and if such conditions are not fulfilled the advances will be refunded to Mengniu.

附註：截至二零一九年十二月三十一日止年度，其他應付款項人民幣18,000,000元為有若干條件的預收蒙牛款項，以促進本集團穩定地向蒙牛擴大原料奶的供應量。截至二零一九年十二月三十一日止年度，未能確定本集團將達成若干銷售條件，且若該等條件未能達成，墊款將退還予蒙牛。

c. During the current year, the Group had the following transactions with related parties:

c. 於本年度，本集團與關連方訂立以下交易：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Sales of raw milk	銷售原料奶	4,222,146	3,304,833
Sales of liquid milk	銷售液態奶	239,995	239,307
Others	其他	2,933	-
		4,465,074	3,544,140
Mengniu Group	蒙牛集團		
Disposal of equipment	出售設備	1,681	-
Cash consideration for the disposal of equity interests in subsidiaries (note 38)	出售附屬公司股權的現金代價(附註38)	56,040	-
		57,721	-

The sales prices were based on mutually agreed terms.

銷售價格是基於共同協定條款。

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46. RELATED PARTY TRANSACTIONS (continued)

d. Other borrowings

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

Category	As at 1 January 2018 於二零一八年 一月一日 RMB'000 人民幣千元	Raised during the year 年內籌集 RMB'000 人民幣千元	Payment during the year 年內付項 RMB'000 人民幣千元	Elimination on disposal of subsidiaries during the year 於年內出售 附屬公司抵銷 RMB'000 人民幣千元	As at 31 December 2018 於二零一八年 十二月三十一日 RMB'000 人民幣千元
Other borrowings from Mengniu Group 蒙牛集團其他借款	1,066,511	1,544,306	(1,544,306)	(65,400)	1,001,111

Category	As at 1 January 2017 於二零一七年 一月一日 RMB'000 人民幣千元	Raised during the year 年內籌集 RMB'000 人民幣千元	Payment during the year 年內付款 RMB'000 人民幣千元	Elimination on disposal of subsidiaries during the year 於年內出售 附屬公司抵銷 RMB'000 人民幣千元	As at 31 December 2017 於二零一七年 十二月三十一日 RMB'000 人民幣千元
Other borrowings from Mengniu Group 蒙牛集團其他借款	-	1,124,939	(58,428)	-	1,066,511

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. In September 2017, pursuant to the letter of comfort to the US\$ Loan, borrowing facilities of RMB1,000,000,000 was extended to September 2020, and then further extended to September 2021 pursuant to the letter of comfort to the HK\$ Loan in September 2018. The outstanding borrowings at 31 December 2018 will mature within one year and bear interest at fixed rate of 4.00% per annum.

46. 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。於二零一七年九月，根據美元貸款告慰函，借款融資人民幣1,000,000,000的到期日延長至二零二零年九月，並根據於二零一八年九月的港元貸款告慰函，到期日延長至二零二一年九月。於二零一八年十二月三十一日尚未償還的借款將於一年內到期，並按4.00%的年利率計息。

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46. RELATED PARTY TRANSACTIONS (continued)

e. Compensation of key management personnel

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

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Salaries and other benefits	薪金及其他福利	12,190	10,373
Recognition of equity-settled share option and share award payments	確認按股權結算的購股權及股份獎勵計劃付款	4,291	30,614
Retirement benefits scheme contributions	退休福利計劃供款	292	198
		16,773	41,185

46. 關連方交易(續)

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：

47. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows:

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
			2018 二零一八年		2017 二零一七年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Advanced Dairy Company (Luxemburg) Limited ("Lux")	Luxemburg 盧森堡	US\$138,500,000 138,500,000美元	100.00	-	100.00	-	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

47. 附屬公司

於二零一八年及二零一七年十二月三十一日，本公司的主要附屬公司詳情如下：

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47. SUBSIDIARIES (continued)

47. 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
			2018 二零一八年		2017 二零一七年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Modern Farming (note i) Modern Farming (附註i)	PRC 中國	RMB3,216,037,950 人民幣3,216,037,950元	-	98.18	-	98.18	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)	British Virgin Islands 英屬處女群島	US\$100,000 100,000美元	100.00	-	100.00	-	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	-	100.00	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	-	100.00	Sales of milk 銷售牛奶
Shanghe (note ii) 商河(附註ii)	PRC 中國	RMB850,000,000 人民幣850,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶

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47. SUBSIDIARIES (continued)

47. 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
			2018 二零一八年		2017 二零一七年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
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	RMB93,670,400 人民幣93,670,400元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Saibe) 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	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Zhangjiakou) Co., Ltd. (note ii) 現代牧業(張家口)有限公司(附註ii)	PRC 中國	RMB440,000,000 人民幣440,000,000元	-	98.18	-	98.18	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(附註ii)	PRC 中國	RMB55,000,000 人民幣55,000,000元	-	98.18	-	98.18	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(附註ii)	PRC 中國	RMB55,000,000 人民幣55,000,000元	-	98.18	-	98.18	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(附註ii)	PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Chabei) Co., Ltd. (note ii) 現代牧業(察北)有限公司(附註ii)	PRC 中國	RMB110,000,000 人民幣110,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
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	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶

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47. SUBSIDIARIES (continued)

47. 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
			2018 二零一八年		2017 二零一七年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Feidong (notes ii and 38) 肥東(附註ii及38)	PRC 中國	RMB120,000,000 人民幣120,000,000元	-	N/A 不適用	-	98.18	Sales and production of milk 銷售牛奶及生產牛奶
Modern Farming (Tongshan) Co., Ltd. (note ii) 現代牧業「通山」有限公司(附註ii)	PRC 中國	RMB30,000,000 人民幣30,000,000元	-	98.18	-	98.18	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	-	98.18	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	RMB30,000,000 人民幣30,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Bengbu (notes ii and 38) 蚌埠(附註ii及38)	PRC 中國	RMB500,000,000 人民幣500,000,000元	-	N/A 不適用	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Wuhe) Co., Ltd. (note ii) 現代牧業(五河)有限公司(附註ii)	PRC 中國	RMB20,000,000 人民幣20,000,000元	-	98.18	-	98.18	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	-	99.00	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	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶

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47. SUBSIDIARIES (continued)

47. 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
			2018 二零一八年		2017 二零一七年		
			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	-	98.18	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港元	-	100.00	-	100.00	Investment holding 投資控股
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	-	99.00	Sales of milk 銷售牛奶
Modern Farming (Saibei) 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	-	99.00	Sales of milk 銷售牛奶
Modern Farming (Hefei) 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	-	98.18	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	-	50.07	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	-	58.91	Sales of milk 銷售牛奶

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47. SUBSIDIARIES (continued)

47. 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
			2018 二零一八年		2017 二零一七年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
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	-	68.73	Sales of milk 銷售牛奶
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	-	58.91	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	-	73.63	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 37(a)).

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37(a))。



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

48. 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		Loss allocated to non-controlling interests 分配至非控股權益的虧損		Accumulated non-controlling interests 累計非控股權益	
		2018 二零一八年	2017 二零一七年	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Modern Farming 現代牧業	PRC 中國	1.82%	1.82%	6,849	21,100	108,907	115,875

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.

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。

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元
Current assets	流動資產	2,441,886	2,607,386
Non-current assets	非流動資產	13,030,924	13,707,178
Current liabilities	流動負債	(6,474,566)	(6,088,535)
Non-current liabilities	非流動負債	(3,011,237)	(3,853,299)
Equity attributable to owners of the Company	本公司持有人應佔權益	5,973,483	6,355,644
Non-controlling interests	非控股權益	13,524	17,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

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

48. 擁有重大非控股權益的非全資附屬公司的詳情(續)

		Year ended 31/12/2018 截至二零一八年 十二月三十一日 止年度 RMB'000 人民幣千元	Year ended 31/12/2017 截至二零一七年 十二月三十一日 止年度 RMB'000 人民幣千元
Revenue	收入	4,956,811	4,805,711
Expenses	開支	5,335,868	5,793,663
Loss attributable to owners of the Company	本公司持有人應佔虧損	(375,643)	(990,477)
(Loss)profit attributable to the non-controlling interests	非控股權益應佔溢利(虧損)	(3,414)	2,525
Net cash inflow from operating activities	經營活動現金流入淨額	1,408,421	534,162
Net cash outflow from investing activities	投資活動現金流出淨額	(1,119,395)	(889,811)
Net cash (outflow) inflow from financing activities	融資活動現金(流出)流入淨額	(296,796)	185,173
Net cash outflow	現金流出淨額	(7,770)	(170,476)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

49. 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:

49. 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：

		2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 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	6,138,788	6,057,053
Amounts due from a subsidiary	應收一間附屬公司款項	2,260,130	1,520,701
		8,398,918	7,577,754
CURRENT ASSETS	流動資產		
Prepayments and other receivables	預付款項及其他應收賬款	772	906
Cash and bank balances	現金及銀行結餘	79,622	49,254
Other financial assets	其他金融資產	-	31,704
Financial asset at fair value through profit or loss	按公平值計入損益計量的金融資產	76,413	-
		156,807	81,864
CURRENT LIABILITIES	流動負債		
Other payables	其他應付款項	570	573
Amounts due to subsidiaries	應付附屬公司款項	24,462	16,618
Derivative financial instruments	衍生金融工具	16,691	-
		41,723	17,191
NET CURRENT ASSETS	流動資產淨額	115,084	64,673
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債	8,514,002	7,642,427
CAPITAL AND RESERVES	資本及儲備		
Share capital	股本	526,058	526,058
Reserves	儲備	5,951,551	6,039,340
TOTAL EQUITY	總權益	6,477,609	6,565,398
NON-CURRENT LIABILITY	非流動負債		
Bank borrowings	銀行借款	2,036,393	1,077,029
		8,514,002	7,642,427

LU Minfang
盧敏放
Director
董事

GAO Lina
高麗娜
Director
董事

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2018 截至二零一八年十二月三十一日止年度

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Movements in equity

49. 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	股份獎勵儲備	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 2017	於二零一七年一月一日的結餘	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
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	(96,435)	(96,435)
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	-	-	-	-	8,646	-	8,646
Balance at 31 December 2018	於二零一八年十二月三十一日的結餘	526,058	4,641,066	1,382,199	5,286	23,163	(100,163)	6,477,609

50. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform with current year's presentation.

50. 比較金額

若干比較數字已重新分類，以符合本年度的列報。

51. EVENTS AFTER THE REPORTING PERIOD

There is no significant events after the reporting period.

51. 報告期後事項

報告期後並無重大事項。

FINANCIAL SUMMARY

財務概要

The following is a summary of the published audited consolidated financial statement of China Modern Dairy Holdings Limited and its subsidiaries for the respective years.

以下為中國現代牧業控股有限公司及其附屬公司於相關年度的已刊發經審核綜合財務報表的概要。

RESULTS

For the year ended 31 December

業績

截至十二月三十一日止年度

		2018 二零一八年 RMB'000 人民幣千元	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
Revenue	收入	4,956,811	4,783,801	4,862,311	4,826,341	5,026,706
Profit/(Loss) before finance costs and tax	除融資成本及稅項前溢利/(虧損)	(167,038)	(666,479)	(416,409)	670,459	1,035,965
Finance costs	融資成本	(338,622)	(328,395)	(368,582)	(315,078)	(265,601)
Profit/(Loss) before tax	除稅前溢利/(虧損)	(505,660)	(994,874)	(784,991)	355,381	770,364
Income tax expense	所得稅開支	(513)	27	(504)	(11,663)	(7,476)
Profit/(Loss) for the year	年內溢利/(虧損)	(506,173)	(994,847)	(785,495)	343,718	762,888
Profit/(Loss) for the year attributable to:	以下各方年內應佔溢利/(虧損):					
Owners of the Company	本公司持有人	(496,088)	(975,116)	(742,103)	321,296	735,317
Non-controlling interests	非控股權益	(10,085)	(19,731)	(43,392)	22,422	27,571
		(506,173)	(994,847)	(785,495)	343,718	762,888
Earnings/(Loss) per share (RMB)	每股盈利/(虧損) (人民幣)					
Basic (cents)	基本(分)	(8.15)	(16.19)	(13.99)	6.37	15.23
Diluted (cents)	攤薄(分)	(8.15)	(16.19)	(13.99)	6.32	15.08

FINANCIAL SUMMARY 財務概要

As at 31 December

於十二月三十一日

		2018 二零一八年 RMB'000 人民幣千元	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
Assets and liabilities	資產及負債					
Property, plant and equipment	物業、廠房及設備	3,920,685	4,698,736	5,075,030	5,376,897	4,457,970
Land use rights	土地使用權	117,220	125,802	126,679	120,622	64,868
Goodwill	商譽	1,398,589	1,424,539	1,424,539	1,441,494	310,426
Interest in associates	於聯營公司權益	180,913	-	1,887	25,076	18,931
Interest in joint ventures	於合營公司權益	-	-	-	-	95,208
Equity instruments at FVTOCI	按公平值計入其他全面 收入的權益工具	2,508	-	-	-	-
Available-for-sale equity investment	可供出售股權投資	-	12,934	24,955	-	-
Biological assets	生物資產	7,717,113	7,751,070	7,602,959	7,590,878	6,530,814
Net current liabilities	流動負債淨額	(3,883,813)	(3,181,917)	(4,272,464)	(4,285,909)	(1,725,295)
Total assets less current liabilities	總資產減流動負債	9,453,215	10,831,164	9,983,585	10,269,058	9,752,922
Non-current liabilities	非流動負債	(2,899,082)	(3,742,735)	(2,860,689)	(2,319,026)	(3,096,970)
NET ASSETS	資產淨值	6,554,133	7,088,429	7,122,896	7,950,032	6,655,952
Capital and reserves	資本及儲備					
Share capital	股本	526,058	526,058	452,959	452,959	415,261
Share premium and Reserves	股份溢價及儲備	5,919,237	6,443,064	6,568,554	7,328,938	6,094,978
Total equity attributable to equity shareholders of the Company	本公司權益股東應佔 總權益	6,445,295	6,969,122	7,021,513	7,781,897	6,510,239
Non-controlling interests	非控股權益	108,838	119,307	101,383	168,135	145,713
		6,554,133	7,088,429	7,122,896	7,950,032	6,655,952



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



純 Purity



真 Genuineness



鮮 Freshness



活 Vitality

www.moderndairyir.com
www.xiandaimuye.com

