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刊發發售通函



**MODERN FARMING
現代牧業**

China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

（於開曼群島註冊成立的有限公司）

（股份代號：1117）

於二零二六年到期的500,000,000美元2.125%債券

（股份代號：40765）

（「債券」）

聯席全球協調人、聯席牽頭經辦人及聯席賬簿管理人

Barclays	花旗	
星展銀行有限公司	J.P. Morgan	中金公司

聯席牽頭經辦人及聯席賬簿管理人

荷蘭合作銀行	招銀國際
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本公告乃根據香港聯合交易所有限公司證券上市規則第37.39A條而刊發。

請參閱本公告隨附的日期為二零二一年七月七日的債券相關發售通函(「發售通函」)。發售通函僅以英文刊發，並無刊發發售通函中文版。

承董事會命
中國現代牧業控股有限公司
主席
盧敏放

香港，二零二一年七月十五日

截至本公告日期，執行董事為孫玉剛先生；非執行董事為盧敏放先生(主席)、趙傑軍先生、張平先生、朱曉輝先生及甘璐女士；獨立非執行董事為李勝利先生、李港衛先生及周明笙先生。

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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to China Modern Dairy Holdings Ltd. (the “**Issuer**”) and Barclays Bank PLC, Citigroup Global Markets Limited, DBS Bank Ltd., J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Coöperatieve Rabobank U.A., Hong Kong Branch and CMB International Capital Limited (each a “**Joint Lead Manager**” and together the “**Joint Lead Managers**”) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you provided and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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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)

(Stock Code: 1117)

US\$500,000,000 2.125 per cent. Bonds due 2026

Issue Price: 99.717 per cent.

The 2.125 per cent. bonds due 2026 in the aggregate principal amount of US\$500,000,000 (the “Bonds”) will be issued by China Modern Dairy Holdings Ltd. (the “Company” or the “Issuer”), a company incorporated under the laws of the Cayman Islands with limited liability.

The Bonds will bear interest on their outstanding principal amount from and including 14 July 2021 at the rate of 2.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 14 January and 14 July in each year (each an “Interest Payment Date”), commencing on 14 January 2022 in accordance with the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”).

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, fees, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Island or PRC, or in each case any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction of such taxes, duties, fees, assessments or government charges is required by law.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Bonds at their principal amount on 14 July 2026 (the “Maturity Date”). The Bonds are subject to redemption, in whole but not in part, at their principal amount together with accrued interest, at the option of the Company at any time in the event of certain changes affecting taxes of the Cayman Islands or the PRC. At any time following the occurrence of a Change of Control Triggering Event (as defined in the Conditions), each holder of the Bonds (the “Bondholder”) will have the right, at such Bondholder’s option, to require the Issuer to redeem all but not some only of such Bondholder’s Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. of their principal amount together with accrued interest to (but not including) such Put Settlement Date. The Bonds are also subject to redemption at any time prior to 14 June 2026 on the Make Whole Option Redemption Date (as defined in the Conditions), in whole but not in part, at the Make Whole Price (as defined in the Conditions), together with accrued and unpaid interest, at the option of the Issuer. The Bonds are also subject to redemption, at any time from or after 14 June 2026, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Bonds, together with accrued and unpaid interest, at the option of the Issuer. See “Terms and Conditions of the Bonds – Redemption and Purchase”.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

The denomination of the Bonds shall be US\$200,000 and integral multiples of US\$1,000 in excess thereof.

In accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “NDRC Circular”) issued by the National Development and Reform Commission of the PRC (the “NDRC”) on 14 September 2015 which came into effect on the same day, Modern Farming (Group) Co., Ltd. has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 28 June 2021 evidencing such registration, under which the Company has been granted a foreign debt issuance quota. The Company has undertaken to provide the requisite information on the issuance of the Bonds to the NDRC within 10 PRC Business Days (as defined in the Conditions) after the Issue Date (as defined below).

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”). The Bonds, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside of the United States in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of these and certain restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”.

Application will be made to The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) (“Professional Investors”) only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Offering Circular.

The Company is assigned a corporate rating of BBB (Stable) by S&P Global Ratings (“S&P”). Such rating is only correct as at the date of this Offering Circular. The Bonds are expected to be assigned a rating of “BBB” by S&P. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by S&P. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

The Bonds will initially be evidenced by a global certificate (the “Global Certificate”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 14 July 2021 (the “Issue Date”) with a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds of each series will not be issued in exchange for interests in the Global Certificate. See “Summary of Provisions relating to the Bonds while in Global Form”.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Barclays
Citigroup
DBS Bank Ltd.
J.P. Morgan
China International Capital Corporation

Joint Lead Managers and Joint Bookrunners

Rabobank
CMB International

The date of this Offering Circular is 7 July 2021

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The Company, having made all reasonable enquiries, confirms that (i) this Offering Circular (including any amendments and supplements thereto) contains all information with respect to the Company, the Group and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws and, according to the particular nature of the Company, the Group and the Bonds, is necessary to enable investors and their investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Company and the Group and of the rights attaching to the Bonds); (ii) the statements relating to the Company, the Group and the Bonds contained in this Offering Circular are in every material respect true and accurate and not misleading; (iii) the opinions and intentions with regard to the Company, the Group and the Bonds expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements; (vi) this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statement therein, in light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived from or extracted from sources which the Company believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and Barclays Bank PLC, Citigroup Global Markets Limited, DBS Bank Ltd., J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Coöperatieve Rabobank U.A., Hong Kong Branch and CMB International Capital Limited (collectively, the “**Joint Lead Managers**”), the Trustee, the Agents and any of their respective affiliates, officers, employees, agents, representatives, directors and advisers, and any person who controls any of them to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”. By purchasing the Bonds, investors are deemed to have investors represented and agreed to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised in connection with the issue, offer, sale, marketing or distribution of the Bonds to give any information or to make any representation concerning the Company, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Joint Lead Managers, the Agents (as defined in the Terms and Conditions) or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers, or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee, or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers, or any person who controls any of them has independently verified the information contained in this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers, or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Company, the Joint Lead Managers, the Trustee or the Agents or any of the respective affiliates, officers, employees, agents, representatives, directors or advisers, or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and such person must rely on its own examination of the Company and the Group, and the merits and risks involved in investing in the Bonds. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee, or the Agent, or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, or any person who controls any of them or on their behalf in connection with the Company, the Group, or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective directors, officers, employees, affiliates, representatives, agents or advisors and any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Company or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, or any person who controls any of them.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS –

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Cayman Islands Data Protection

The Issuer has certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the “DPA”) based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Bonds and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Issuer and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Bonds, the Bondholders shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice set out below and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Bonds.

Oversight of the DPA is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPA by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Privacy Notice

Introduction

The purpose of this notice is to provide Bondholders with information on the Issuer's use of their personal data in accordance with the Data Protection Act (As Revised) of the Cayman Islands (the "**DPA**").

In the following discussion, "Issuer" refers to the Issuer and its or their affiliates and/or delegates, except where the context requires otherwise.

Investor Data

By virtue of making an investment in the Issuer and a Bondholder's associated interactions with the Issuer (including any subscription (whether past, present or future), including the recording of electronic communications or phone calls where applicable) or by virtue of a Bondholder otherwise providing the Issuer with personal information on individuals connected with the Bondholder as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), the Bondholder will provide the Issuer with certain personal information which constitutes personal data within the meaning of the DPA ("**Investor Data**"). The Issuer may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to a Bondholder and/or any individuals connected with a Bondholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the Bondholder's investment activity.

In the Issuer's use of Investor Data, the Issuer will be characterised as a "data controller" for the purposes of the DPA. The Issuer's affiliates and delegates may act as "data processors" for the purposes of the DPA.

Who this Affects

If a Bondholder is a natural person, this will affect such Bondholder directly. If a Bondholder is a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides the Issuer with Investor Data on individuals connected to such Bondholder for any reason in relation to such Bondholder's investment with the Issuer, this will be relevant for those individuals and such Bondholder should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Issuer May Use a Bondholder's Personal Data

The Issuer, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

- (i) where this is necessary for the performance of the Issuer's rights and obligations under any subscription agreements or purchase agreements;
- (ii) where this is necessary for compliance with a legal and regulatory obligation to which the Issuer is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- (iii) where this is necessary for the purposes of the Issuer's legitimate interests and such interests are not overridden by the Bondholder's interests, fundamental rights or freedoms.

Should the Issuer wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires a Bondholder's consent), the Issuer will contact the applicable Bondholders.

Why the Issuer May Transfer a Bondholder's Personal Data

In certain circumstances the Issuer and/or its authorised affiliates or delegates may be legally obliged to share Investor Data and other information with respect to a Bondholder's interest in the Issuer with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

The Issuer anticipates disclosing Investor Data to others who provide services to the Issuer and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area), who will process a Bondholder's personal data on the Issuer's behalf.

The Data Protection Measures the Issuer Takes

Any transfer of Investor Data by the Issuer or its duly authorised affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPA.

The Issuer and its duly authorised affiliates and/or delegates shall apply appropriate technical and organisational information security measures designed to protect against unauthorised or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

The Issuer shall notify a Bondholder of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either such Bondholder or those data subjects to whom the relevant Investor Data relates.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS ACTING IN ITS CAPACITY AS THE STABILISATION MANAGER (THE “STABILISATION MANAGER”), OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER, MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Company and the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Company, the Group, the Joint Lead Managers, the Trustee, or the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisors, or any person who controls any of them are making any representations to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Bonds.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, that investors should obtain independent professional advice.

CERTAIN DEFINED TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which you should consider when reading the information contained herein. When the terms “we”, “us”, “our”, the “Company”, the “Issuer”, the “Group” and words of similar import are used, they are referring to China Modern Dairy Holdings Ltd. and its consolidated subsidiaries, unless the context indicates otherwise.

Unless the context otherwise requires, references in this Offering Circular to the “Terms and Conditions of the Bonds” are to the terms and conditions governing the Bonds as set out in the “Terms and Conditions of the Bonds”.

In this Offering Circular, references to:

“AMY”	are to annual milk yield;
“Bonds”	are to the bonds contemplated to be offered under this Offering Circular, the terms and conditions of which are described in the Terms and Conditions;
“Burra Group”	are to Austin Holding Co., Limited and its subsidiaries;
“Burra Group Disposition”.	are to disposal of entire interests held by Fuyuan in Burra Group;
“Clearstream”	are to Clearstream Banking S.A.;
“Company”	are to China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 1117);
“COVID-19”	are to a disease caused by a novel strain of coronavirus, SARS-COV-2;
“EIT Law”	are to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法);
“Euroclear”	are to Euroclear Bank SA/NV;
“FIRB”	are to the Foreign Investment Review Board of Australia;
“Fuyuan”	are to Inner Mongolia Fuyuan International Industrial (Group) Co. Ltd. (內蒙古富源國際實業(集團)有限公司), a limited liability company established in the PRC;
“Fuyuan Acquisition”	are to the proposed acquisition by the Company of the entire equity interests (direct and indirect) of Fuyuan and its subsidiaries, and excluding Burra Group;
“Fuyuan Group”	are to Fuyuan and its subsidiaries (excluding Burra Group);
“Group”.	are to our Company and its consolidated subsidiaries;

“HK\$” and “HK dollars”	are to Hong Kong dollars, the official currency of Hong Kong;
“Hong Kong Stock Exchange” . . .	are to The Stock Exchange of Hong Kong Limited;
“IFRS”	are to International Financial Reporting Standards;
“Inner Mongolia Mengniu”	are to Inner Mongolia Mengniu Dairy (Group) Co., Ltd. (內蒙古蒙牛乳業(集團)股份有限公司);
“Joint Lead Managers”	are to Barclays Bank PLC, Citigroup Global Markets Limited, DBS Bank Ltd., J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Coöperatieve Rabobank U.A., Hong Kong Branch and CMB International Capital Limited;
“Listing Rules”	are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mengniu”	are to China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司*), whose shares are listed on the Hong Kong Stock Exchange (Stock code: 2319);
“Mengniu Group”.	are to Mengniu, together with its consolidated subsidiaries;
“Modern Farming”.. . . .	are to Modern Farming (Group) Co., Ltd. (現代牧業(集團)有限公司);
“MOF”	are to the Ministry of Finance of the PRC (中華人民共和國財政部);
“NDRC Certificate”	are to the certificate issued by the National Development and Reform Commission of the PRC on 28 June 2021, evidencing Modern Farming (Group) Co., Ltd.'s (a non-wholly owned onshore subsidiary of the Company) registration of the Company’s proposed issuance of the Bonds;
“New Hope”	are to New Hope Dairy Co., Ltd (新希望乳業股份有限公司), whose shares are listed on Shenzhen Stock Exchange (Stock Code:002946) and/or its subsidiaries;
“Offering Circular”	are to this Offering Circular;
“Off-Take Agreement”	are to an off-take agreement entered into between Inner Mongolia Mengniu and our Company, pursuant to which we supply raw milk to Inner Mongolia Mengniu for a term of 10 years commencing on 24 October 2008 and was automatically extended for another 10 years on 24 October 2018 to 23 October 2028;
“PBoC”	are to the People’s Bank of China (中國人民銀行), the central bank of the PRC;

“PRC” or “China”	are to the People’s Republic of China, excluding, for the purpose of this Offering Circular only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
“PRC Government”	are to all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities of the PRC;
“provinces”	are to provinces and to provincial-level autonomous regions and municipalities in China which are directly under the supervision of the central PRC Government;
“RMB” or “Renminbi”	are to the Renminbi, the official currency of the PRC;
“SAFE”	are to the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“SAT”	are to the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
“UHT milk”	are to ultra-high temperature milk, which is generally heated to between 275 and 302 degrees Fahrenheit which allows the milk to be stored at room temperature for extended periods of time;
“US\$” and “U.S. dollars”	are to United States dollars, the official currency of the United States of America;
“Yashili”	are to Yashili International Holdings Ltd. (雅士利國際控股有限公司), whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 1230);
“Zhongyuan”	are to Zhongyuan Muye Company Limited (中元牧業有限公司);
“Zhongyuan Acquisition”	are to the proposed acquisition by the Company of the entire equity interests of Zhongyuan.

Solely for your convenience, this Offering Circular contains conversions of certain Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the conversion rate for Renminbi against U.S. dollar has been set at RMB6.5250 per US\$1.00, which is the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on 31 December 2020. You should not construe these conversions as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Company or the Joint Lead Managers or their respective directors and advisers, and none of the Company or the Joint Lead Managers or their respective directors and advisers make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside of the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Company and the terms of the offering and the Bonds, including the merits and risks involved.

We record our financial statements in RMB and our financial statements are prepared in accordance with the IFRS, which may differ in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted accounting principles.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual terms, and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

Non-GAAP Financial Measures

For the purpose of this Offering Circular, Cash EBITDA for any period consists of profit/(loss) before finance costs and tax having added back: i) depreciation of property, plant and equipment and right-of-use assets charged to profit or loss; ii) amortisation of land use assets; iii) other gains and losses, net; iv) impairment losses under expected credit loss model, net of reversal; and v) loss arising from changes in fair value less costs to sell of dairy cows. Cash EBITDA or EBITDA are not standard measures under IFRS. EBITDA is a widely used financial indicator of a company's ability to incur and service debt. Cash EBITDA or EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit attributable to owners of the Company or any other measure of performance or as an indicator of its operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Cash EBITDA has been included herein because it is considered as a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. Cash EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Cash EBITDA to EBITDA or similarly titled measures presented by other companies because not all companies use the same definition.

PRESENTATION OF FINANCIAL INFORMATION

The Company's consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020, which have been extracted from the audited consolidated financial statements of the Company as at and for the year ended 31 December 2019 (as disclosed in the Company's 2019 annual report) and as at and for the year ended 31 December 2020 (as disclosed in the Company's 2020 annual report) (together, the "**Issuer's Audited Consolidated Financial Statements**"). The Issuer's Audited Consolidated Financial Statements were prepared and presented in accordance with the IFRS and have been audited by Deloitte Touche Tohmatsu, the independent auditor of the Issuer. See "*Summary Financial Information*" for details.

FORWARD LOOKING STATEMENTS

Certain forward-looking statements have been made in this Offering Circular regarding, among other things, our consolidated financial conditions, future expansion plans and business strategy. This Offering Circular may contain words such as “believe”, “could”, “may”, “will”, “target”, “estimate”, “project”, “predict”, “forecast”, “guideline”, “should”, “plan”, “expect” and “anticipate” and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the captions “Summary”, and “Business” relating to the following matters may include forward-looking statements:

- business strategies and plan of operation;
- capital expenditure plans;
- the amount and nature of, and potential for, future development of business;
- operations and business prospects;
- production facilities under construction or planning;
- the regulatory environment of the relevant industry in general; and
- future development in the relevant industry.

Such statements are subject to various risks and uncertainties, including, but not limited to:

- uncertainties relating to our reliance on our largest customer and controlling shareholder;
- uncertainties relating to our ability to expand our herd size and our position in the dairy farming industry;
- the actions and developments of our competitors;
- changes in global economic and social conditions;
- changes in the world political situation;
- changes in economic and political conditions and increases in regulatory burdens in the PRC and other countries in which we operate, transact business or have interests;
- the impact of the outbreak of COVID-19 on our business, financial performance and results of operations;
- accidents and natural disasters;
- changes in import controls or import duties, levies or taxes, either in international markets or in the PRC;

- changes in laws, regulations, taxation or accounting standards or practices and any related liabilities or compliance costs or obligations;
- currency, interest rate, price and credit risks;
- changes in prices or demand for products or raw materials produced or used by us or our subsidiaries or affiliates, both in the PRC and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations;
- the risks of increasing expenditures and investments;
- uncertainty of technological change;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- acquisitions or divestitures;
- potential disputes; and
- other factors, including those discussed in “Risk Factors”.

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements and we undertake no obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

SUMMARY

This summary below is intended only to provide a limited overview of information disclosed in more detail elsewhere in this Offering Circular and may not contain all of the information that may be important to you. Terms defined elsewhere in this Offering Circular shall have the same meaning in this summary. You should read this entire Offering Circular before making an investment decision to purchase the Bonds.

OVERVIEW

We are one of the leading dairy farming companies in terms of herd size and a leading raw milk producer in China and globally. We are committed to the upstream dairy farming business, and is devoted to producing high quality raw milk products for consumers whilst also engaged in profit sharing initiatives by the associated company established for the business of our self-branded liquid milk products with Mengniu. As of 31 December 2020, we operated 26 dairy farms in China with dairy cows of over 247,000 heads and annual milk yield of approximately 1.49 million tons.

We are listed on the Main Board of the Hong Kong Stock Exchange since November 2010 (Stock Code: 1117). As at 31 December 2020, our market capitalisation was HK\$12,012.9 million.

We are relentlessly focused on food safety, product quality, as well as operating efficiency. We have continued to lead in driving modernisation of the overall dairy through, employment of modern farming, development of large-scale farms, use of technologies and improving genetics, amongst others. Every procedure in the production of raw milk e.g. milking, refrigeration and transportation was completed with monitoring measures and the strictest standard was adopted to guarantee the quality of raw milk.

We initiated the production model of “Zero-distance Integration of Forage Grass Planting, Cows Breeding and Milk Processing within Two Hours”, which is the first enterprise at present in the PRC that applies integrated production model with SGS certification. We are the first company in China that passed the “Quality Milk Project” for both its pasteurised milk and UHT milk. Our products have been awarded the Gold Prize of Monde Selection which is generally regarded as the “Nobel Prize” in the food industry, for the past eight consecutive years and our pure milk was also awarded the gold prize for the eighth time in consecutive years in the Monde Selection 2021 in year 2021. The brand “現代牧業” (Modern Dairy) has been shortlisted as the “Strategic Partner of China’s Aerospace Industry”.

We have established comprehensive strategic partnership with Mengniu, our controlling shareholder and major customer. The strategic partnership with Mengniu brings numerous benefits to us, including guaranteed raw milk sale via Off-Take Agreement, and sharing of internal resources strengthens our synergies with Mengniu in terms of sales, cost control (via the enhancement of market confidence and our bargaining power with third party feed suppliers) and resources utilisation (by Mengniu sharing and exchanging experience in aspects such as personnel training, information empowerment and smart farm management). To date, as the largest raw milk supplier to Mengniu, we have been assisting Mengniu to consolidate its raw milk supply platforms and our contribution to Mengniu's raw milk supply is expected to further increase post acquisition of Fuyuan and Zhongyuan. Currently, approximately 25% of Mengniu daily raw milk intake is supplied by us.

We have been expanding our herd size and production in a stable manner to attain sustainable business growth and creating a vertically integrated upstream dairy farming enterprise by integrating the upstream and downstream business, thereby building a full chain of raw milk production from forage cultivation, dairy farming, feed processing to sales. In March 2021, we entered into an agreement to acquire Fuyuan, the principal business of which are forage cultivation, dairy farming, feed processing and sales in the PRC. We also entered into an agreement in April 2021 to acquire Zhongyuan, which is principally engaged in cow breeding, farms management and operation, milk production and sale in the PRC. Subject to conditions precedent and regulatory approvals, acquisition of Fuyuan is expected to be completed in the fourth quarter of 2021 and acquisition of Zhongyuan is expected to be completed in the third quarter of 2021. We believe the strategic acquisitions of Fuyuan and Zhongyuan would enable our Group to integrate the upstream and downstream business to achieve synergies which in turn is expected to increase our overall competitiveness, lower the operating costs and benefit the financial performance our Group.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

- A global leader in the dairy farming sector with modernised business model to produce high-quality raw milk
- Well-positioned to seize the development opportunities and to capture the growth momentum of the PRC dairy industry
- Consistent growth through a long standing strategic and mutually beneficial partnership with Mengniu
- Strong track record in delivering operating efficiency improvement
- Eco-friendly production supports sustainable development
- Diversified funding channels with strong track record in deleveraging
- Experienced management team and sound corporate governance

OUR BUSINESS STRATEGIES

We seek to become the leader in the dairy farming sector in the world with the mission to “create the world’s most advanced farms, produce the highest quality milk, and achieve harmonious development of people and nature world” through implementation of the following strategies going forward:

- continuously strengthening the strategic co-operation with Mengniu through strategically and steadily expanding our herd size to maintain market leadership, continuous collaboration in high-end segment and joint procurement efforts together with Mengniu and COFCO.
- focus on integrating the management and operation of the recently acquired companies into the Group’s operation to promote synergies, including in employees and dairy farm management.
- focus on improving milk yield through breed, feed formula and cow welfare improvement.
- focus on boosting operation efficiency through scientific management practices, production yield and energy-efficient eco-farming.
- explore new revenue streams, including sale of cows and entry into feed supply market.

RECENT DEVELOPMENT

Acquisition of Fuyuan

On 22 March 2021, we as purchaser entered into a sale and purchase agreement (“**Fuyuan Acquisition Agreement**”) with, among others, certain sellers (the “**Sellers**”) and Fuyuan to acquire the entire equity interests in Fuyuan (both direct and indirect and excluding its entire interests in Burra Group) at an initial consideration of RMB3.48 billion (subject to adjustment pursuant to the terms and conditions of the Fuyuan Acquisition Agreement), of which approximately 56.65% of the consideration will be satisfied in cash (to be funded by a combination of internal resources of our Group and external financing) and 43.35% will be satisfied by allotment and issue of 807,096,101 of our shares to a holding vehicle controlled by Mengniu at the issue price of HK\$2.24 per share on completion. As at the date of this Offering Circular, Fuyuan is indirectly held as to approximately 43.35% by Mengniu through Inner Mongolia Mengniu as its single largest shareholder.

Subject to conditions precedent, including the Burra Group Disposition, regulatory approvals, and the shareholders’ approval of our independent shareholders (which has been satisfied as at the date of this Offering Circular) the Fuyuan Acquisition is expected to be completed in the fourth quarter of 2021. Upon completion of the Fuyuan Acquisition, Fuyuan will be ultimately controlled by us and its financial results will be consolidated into the financial statements of our Group.

Acquisition of Zhongyuan

On 8 April 2021, Modern Farming, our non-wholly owned subsidiary, as purchaser entered into a sale and purchase agreement (“**Zhongyuan Acquisition Agreement**”) with, among others, Asia Dairy Fab Ltd.* (中博農畜牧科技股份有限公司) as seller to acquire the entire equity interest in Zhongyuan. Pursuant to the Zhongyuan Acquisition Agreement, the seller has conditionally agreed to sell and the purchaser has agreed to acquire 100% equity interests in Zhongyuan at a consideration of no more than RMB815.2 million (subject to adjustment pursuant to the terms and conditions of the Zhongyuan Acquisition Agreement), which shall be satisfied by cash funded by a combination of internal resources of our Group and external financing. Upon completion of the acquisition, Zhongyuan will become a non-wholly owned subsidiary of us and its financial results will be consolidated into the financial statements of our Group.

Changes of directors and composition of board committees

The below resignations and appointment took effect on 1 July 2021:

(i) Ms. GAO Lina resigned as an executive Director and ceased to be the chairman of the strategy and development committee of the Board; (ii) Mr. WOLHARDT Julian Juul resigned as an independent non-executive Director and ceased to be a member of each of the audit committee, the nomination committee and the remuneration committee of the Board; (iii) Mr. ZHAO Jiejun, a non-executive Director, was appointed as the chairman of the strategy and development committee; (iv) Mr. SUN Yugang, an executive Director, was appointed as a member of the strategy and development committee; (v) Mr. ZHU Xiaohui was appointed as a non-executive Director; and (vi) Mr. CHOW Ming Sang was appointed as an independent non-executive Director and a member of each of the audit committee, the nomination committee and the remuneration committee of the Board.

Changes of authorised representative

With effect from 1 July 2021, (1) Ms. GAO Lina ceased to be an authorised representative of the Company; and (2) Mr. SUN Yugang, an executive Director, was appointed as an authorised representative of the Company.

Changes of executive functions

With effect from 1 July 2021, (i) Ms. GAO Lina ceased to be the chief executive officer and vice chairman of the Company; (ii) Mr. ZHAO Jiejun, a non-executive Director, was appointed as the vice chairman of the Company; and (iii) Mr. SUN Yugang, an executive Director, was appointed as the acting chief executive officer of the Company.

SUMMARY OF THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this Offering Circular. For a more detailed description of the Bonds, see “Terms and Conditions of the Bonds.” Terms used in this summary and not otherwise defined shall have the meanings given to them in “Terms and Conditions of the Bonds” and “The Global Certificate”

Issuer	China Modern Dairy Holdings Ltd.
Issue	US\$500,000,000 per cent. Bonds due 2026.
Issue Price	99.717 per cent.
Denomination	The Bonds will be issued in registered form in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from, and including, the Issue Date at the rate of 2.125 per cent. per annum, payable semi-annually in arrear on 14 January and 14 July in each year in equal instalments, commencing on 14 January 2022.
Issue Date	14 July 2021.
Maturity Date	14 July 2026.
Status	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4 of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer which will at all times rank at least pari passu without preference among themselves. The payment obligations of the Issuer under the Bonds shall save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all the other present and future unsecured and unsubordinated obligations of the Issuer.
Negative Pledge	The Bonds will contain certain negative pledge provisions as further described in “Terms and Conditions of the Bonds – Negative Pledge and Relevant Indebtedness Covenants”.

Events of Default Upon the occurrence of certain events as described in Condition 9 (Events of Default) of the Terms and Conditions of the Bonds, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued but unpaid interest.

Taxation All payments of principal, premium (if any) and interest in respect of the Bonds shall be made free and clear of, without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, fees, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed within the Cayman Islands or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, fees, assessments or governmental charges is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer will, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 7 July 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer is required to make a deduction or withholding for or on account of any taxes, duties, fees, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the Applicable Rate, or (ii) the Issuer is required to make any deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands in excess of the Applicable Rate, is required, in such event the Issuer shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond.

Final Redemption Unless previously redeemed, or purchased and cancelled in the circumstances referred to in the Terms and Conditions of the Bonds, the Bonds will be redeemed at their principal amount on 14 July 2026.

Redemption for Taxation Reasons. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in the Terms and Conditions of the Bonds as a result of any changes in, amendment or non-renewal of, or judicial decisions relating to, the laws or regulations of the Cayman Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 July 2021; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds were then due.

Redemption for a Change of Control Triggering Event	At any time following the occurrence of a Change of Control Triggering Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 101% of their principal amount, together with accrued interest up to but excluding the Put Settlement Date. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for a Change of Control Triggering Event".
Redemption at the Option of Issuer	The Issuer may, at its option, redeem all, but not part only, of the Bonds at the Make Whole Price, together with accrued and unpaid interest to the date fixed for redemption, as further described in "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Issuer".
Cross-Default	The Bonds will contain a cross-default provision as further described in Condition 9(c) (Cross-default) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented by the Global Certificate in registered form which will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, individual bond certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2355517728 Common Code: 235551772
Legal Entity Identifier of the Issuer	549300TAELI2JXTKK009
Governing Law	English law.
Jurisdiction	Exclusive jurisdiction of Hong Kong courts.
Trustee	Citicorp International Limited.
Registrar	Citibank, N.A., London Branch.
Principal Paying Agent	Citibank, N.A., London Branch.

Listing Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

Rating The Bonds are expected to be rated “BBB” by S&P. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Use of Proceeds See “Use of Proceeds”.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary audited consolidated financial information as at or for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from Company's audited consolidated financial statements as at and for the years ended 31 December 2019 (as disclosed in the Company's 2019 annual report) and 2020 (as disclosed in the Company's 2020 annual report) and should be read in conjunction with such audited consolidated financial statements together with the related notes thereto, as audited by Deloitte Touche Tohmatsu, our independent certified public accountants.

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2018	2019	2020
	(in thousands of RMB)		
Revenue	4,956,811	5,514,210	6,020,247
Cost of sales before raw milk fair value adjustments	(3,410,670)	(3,412,330)	(3,561,559)
Raw milk fair value adjustments included in cost of sales	(1,371,468)	(1,938,360)	(2,277,414)
Loss arising from changes in fair value less costs to sell of dairy cows	(870,099)	(1,039,221)	(1,031,316)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	1,371,468	1,938,360	2,277,414
Other income.	66,131	51,068	86,675
Impairment losses under expected credit loss model, net of reversal.	(367,662)	161,335	(5)
Other gains and losses, net.	(138,625)	(121,046)	142,514
Selling and distribution costs	(172,256)	(175,487)	(194,440)
Administrative expenses	(232,450)	(276,739)	(374,155)
Other expenses.	(23,091)	(9,061)	(16,503)
Share of profits of associates.	24,873	34,479	31,570
(Loss)/profit before finance costs and tax.	(167,038)	727,208	1,103,028
Finance costs.	(338,622)	(376,795)	(318,624)
(Loss)/profit before tax	(505,660)	350,413	784,404
Income tax expense	(513)	(556)	(639)
(Loss)/profit for the year	(506,173)	349,857	783,765

	For the year ended 31 December		
	2018	2019	2020
	(in thousands of RMB)		
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income	(11,526)	1,451	1,121
Other comprehensive (expenses)/income for the year, net of income tax.	(11,526)	1,451	1,121
Total comprehensive (expense)/income for the year	(517,699)	351,308	784,886
Profit for the year attributable to:			
Owners of the Company	(496,088)	341,270	770,010
Non-controlling interests	(10,085)	8,587	13,755
	<u>(506,173)</u>	<u>349,857</u>	<u>783,765</u>
Total comprehensive (expense)/income for the year attribute to:			
Owners of the Company	(507,404)	342,695	771,110
Non-controlling interests	(10,295)	8,613	13,776
(Loss)/earnings per share (RMB)			
Basic	(0.0815)	0.0554	0.1207
Diluted	(0.0815)	0.0552	0.1204
	<u>(0.0815)</u>	<u>0.0552</u>	<u>0.1204</u>
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	For the year ended 31 December		
	2018	2019	2020
	(in thousands of RMB)		
Non-current assets			
Property, plant and equipment	3,920,685	3,455,068	3,317,719
Right-of-use assets	–	320,161	303,849
Land use rights	117,220	–	–
Goodwill	1,398,589	1,371,266	1,322,457
Interests in associates	180,913	215,392	289,860
Equity instruments at fair value through other comprehensive income	2,508	3,959	5,080
Biological assets	7,717,113	7,459,359	7,101,243
Pledged bank deposits	–	–	122,706
Bank balances	–	–	20,637
Total non-current assets	<u>13,337,028</u>	<u>12,825,205</u>	<u>12,483,551</u>

	For the year ended 31 December		
	2018	2019	2020
	(in thousands of RMB)		
Current assets			
Inventories	978,508	1,078,491	1,158,643
Trade and other receivables and advance payments	781,173	618,288	706,659
Land use rights	4,002	–	–
Derivative financial instruments	80,424	89,543	11,145
Other financial assets	–	–	50,000
Pledged bank deposits	61,355	80,122	34,503
Bank balances and cash	703,039	961,094	1,123,710
Assets of a disposal group classified as held for sale	–	71,450	–
Total current assets	2,608,501	2,898,988	3,084,660
Current liabilities			
Trade and other payables	2,072,363	1,521,688	1,410,786
Tax payables	322	233	364
Bank borrowings	1,691,109	3,822,643	3,471,314
Medium-term notes	621,880	–	–
Corporate bonds	1,087,568	–	–
Other borrowings	1,001,111	1,051,413	–
Lease liabilities	–	23,238	23,851
Derivative financial instruments	17,729	15,274	59,338
Contract liabilities	232	189	198
Liabilities of a disposal group classified as held for sale	–	2,196	–
Total current liabilities	6,492,314	6,436,874	4,965,851
Net current liabilities	(3,883,813)	(3,537,886)	(1,881,191)
Total assets less current liabilities	9,453,215	9,287,319	10,602,360
For the year ended 31 December			
	2018	2019	2020
	(in thousands of RMB)		
Non-current liabilities			
Bank borrowings	2,746,393	1,715,831	2,171,012
Derivative financial instruments	–	–	24,000
Lease liabilities	–	206,109	196,042
Deferred income	152,689	157,678	172,862
Total non-current liabilities	2,899,082	2,079,618	2,563,916
Equity			
Share capital	526,058	551,007	555,535
Reserves	5,919,237	6,530,510	7,341,388
Equity attributable to owners of the Company	6,445,295	7,081,517	7,896,923
Non-controlling interests	108,838	126,184	141,521
Total equity	6,554,133	7,207,701	8,038,444

OTHER UNAUDITED FINANCIAL DATA OF THE COMPANY

	For the year ended 31 December		
	2018	2019	2020
	(in millions of RMB, except percentages/ratios)		
Other Financial Data:			
Cash EBITDA ⁽¹⁾	1,528.4	2,045.5	2,264.9
Cash EBITDA margin ⁽²⁾	30.8%	37.1%	37.6%
Total borrowings ⁽³⁾	7,148.1	6,589.9	5,642.3
Net borrowings ⁽⁴⁾	6,383.7	5,548.7	4,290.8
Total borrowings/Cash EBITDA	4.7	3.2	2.5
Net borrowings/Cash EBITDA	4.2	2.7	1.9
Cash EBITDA/Interest ⁽⁵⁾	4.6	6.3	8.5
Total borrowings/Total capitalisation ⁽⁶⁾ . .	52.2%	47.8%	41.2%

(1) Cash EBITDA consists of profit/(loss) before finance costs and tax having added back: i) depreciation of property, plant and equipment and right-of-use assets charged to profit or loss; ii) amortisation of land use assets; iii) other gains and losses, net; iv) impairment losses under expected credit loss model, net of reversal; and v) loss arising from changes in fair value less costs to sell of dairy cows. Cash EBITDA or EBITDA are not standard measures under IFRS. EBITDA is a widely used financial indicator of a company's ability to incur and service debt. Cash EBITDA or EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit attributable to owners of the Company or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Cash EBITDA has been included herein because we believe that it is a useful supplement to cash flow data as a measure of our performance and ability to generate cash from operations to cover debt service and taxes. Cash EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Cash EBITDA to EBITDA or similarly titled measures presented by other companies because not all companies use the same definition.

(2) Cash EBITDA margin is calculated as Cash EBITDA divided by revenue.

(3) Total borrowings are calculated as the total of bank and other borrowings, medium-term notes and corporate bonds.

(4) Net borrowings are calculated as total borrowings minus bank balances and cash minus pledged bank deposits minus structured bank deposits.

(5) Interest is calculated as total borrowing cost (excluding interest expenses on lease liabilities).

(6) Total capitalisation equals total borrowings plus total equity.

RISK FACTORS

You should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below, before investing in the Bonds. Any of the following risks and uncertainties could have a material and adverse effect on our business, financial conditions and results of operations. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also harm our businesses, financial conditions and operating results.

RISKS RELATING TO OUR BUSINESS

We rely on our largest customers for the sale of our raw milk.

Leveraging on a substantive strategic partnership with our controlling shareholder, Mengniu, we conduct our businesses with more competitive advantages than other peer companies. We entered into an Off-Take Agreement with, a non-wholly owned subsidiary of Mengniu, Inner Mongolia Mengniu, in 2008, pursuant to which we supply raw milk to Inner Mongolia Mengniu for a term of 10 years commencing on 24 October 2008 and was automatically extended for another 10 years on 24 October 2018 to 23 October 2028. We derived revenues of RMB4,222.1 million, RMB4,702.2 million and RMB4,939.2 million from sales of raw milk to Mengniu Group in 2018, 2019 and 2020, respectively, accounting for approximately 89.5%, 85.3% and 82.0%, of the Group's total revenue from sales of raw milk produced during the same periods. We expect that raw milk sales to Mengniu Group will continue to represent a significant contribution to our annual sales of raw milk produced for the foreseeable future. Please refer to the section headed "Business – Relationship with Mengniu" in this Offering Circular.

In addition, our strategic shareholder, New Hope, is our second largest shareholder as well as our second largest customer for the sale of our raw milk. We derived revenues of RMB629.1 million from sales of raw milk to New Hope in 2020, accounting for approximately 10.4%, of the Group's total revenue from sales of raw milk produced during the same period. We expect that raw milk sales to New Hope will continue to represent a significant contribution to our annual sales of raw milk produced for the foreseeable future. Please refer to the section headed "Business – Relationship with New Hope" in this Offering Circular.

We cannot assure you that we would be able to maintain good business relationship and strategic partnerships with Mengniu Group and New Hope or we will continue to benefit from our cooperation with Mengniu Group and New Hope in the future. Given Mengniu Group and New Hope have and will continue to represent a significant portion of our annual sales of raw milk produced, if our relationship with Mengniu Group or New Hope deteriorates or is terminated, or if we fail to maintain the relationship on commercially viable terms, or if Inner Mongolia Mengniu or New Hope breaches its agreement in respect of raw milk supply with us and does not purchase raw milk in part or entirely from our Group, we will need to source other business partners and may not be able to locate alternative business partners within a short period of time and consequently, our ability to maintain our historical level of sales may be materially and adversely affected, which would in turn impact on the business, financial performance and prospects of our Group. In addition, if Mengniu or New Hope were to fail to make timely payments, we may be unable to recover significant amounts of trade receivables and our cash flows and financial position would be adversely affected.

Actual or perceived food safety issue or product contamination could harm our business and reputation and subject us to product liability claims and regulatory actions.

Our results of operations and financial condition could be materially and adversely affected by product contamination or reported to be associated with any food safety incidents. We cannot assure you that contamination will not occur during the production or transportation of our products. Furthermore, the mere publication of information alleging that our products contain or have contained any contaminants, or adverse publicity about the quality of our products, could damage our reputation and have a material adverse effect on us, regardless of whether such publication or publicity has any factual basis.

When our products are delivered to our customers, they undergo standard quality and safety inspections. If our products are found to be contaminated during the inspection process, we could face delivery rejections or product returns or even claims for damages, which could reduce our sales and damage our relationships with our customers. Following the delivery of our products to our customers, our products are used in our customers' downstream production. If their downstream products are contaminated, and if the contamination can ultimately be traced back to our products, we could be subject to product liability claims by our customers and end consumers for damages, including without limitation, medical expenses, disability and wrongful death. In addition, the contamination of our products may result in product recalls, serious damage to our reputation and brand name and consumer confidence in our products as well as loss of revenues.

In addition to product liability claims, if our products are found to be contaminated, we may be subject to regulatory actions. If we are found to violate the Food Safety Law of the PRC (中華人民共和國食品安全法), we could be subject to penalties, including monetary fines, confiscation of illegal gains, income and foodstuffs from the manufacturing or business activities, and of utensils, equipment, raw materials and other articles used for illegal business activities, and/or the revocation of licenses needed to conduct our business, which could materially and adversely affect our results of operations and financial condition.

Our business and financial results are sensitive to market prices of the products we offer.

The profitability of our operations is highly affected by the market prices of our raw milk. Under our raw milk supply agreements, the prices of our raw milk are generally determined by a quality-based scheme set up by our customers, where the prices of our raw milk are benchmarked against the prevailing market prices of raw milk of similar quality and attributes. Similarly, for our feed products and cow breeding products, we typically set the prices at prevailing market prices of comparable products in China. Historically, prices of raw milk, feed products and cow breeding products in China have been volatile, primarily due to fluctuations in the supply and demand of these products. In addition, the market price of raw milk is subject to various other market forces and factors that are out of our control, such as the quality of raw milk, the feed price, the supply and demand of the global dairy market and the seasonality in the northern and southern hemispheres. If the prices for our products decline in the future, and we are unable to sell more products and/or reduce our cost of sales, our revenues will decrease and our profitability will be adversely affected.

Fluctuations in prices of raw materials and unstable supply of raw materials could adversely impact on our business, profitability and results of operations.

The raw materials that we require mainly include forage grass to supply our dairy farms and feedstuffs and raw feed materials. For instance, direct materials (mainly forage) cost amounted to RMB2,449.2 million, RMB2,492.4 million and RMB2,664.6 million in 2018, 2019 and 2020, respectively, accounting for 73.9%, 73.0% and 74.8% of the cost of sales of our raw milk business (before raw milk fair value adjustments) respectively. We cannot assure you that our raw material suppliers will continue their business relationship with us and deliver to us sufficient raw materials in a timely manner on commercially acceptable terms, or at all. In the event that our agreements with these suppliers are terminated, interrupted, or adversely modified, we cannot assure you that we are or will be able to secure alternative sources of raw materials with comparable prices or amounts on terms favorable to us, or at all. Any loss of our major suppliers could result in delay of our production and/or increase in our cost of sales, thereby materially and adversely affecting our business and financial position.

We are also exposed to the risk of fluctuation in market prices of raw materials. If we are unable to effectively manage the price fluctuations or transfer the increased costs to our customers or adjust our procurement strategy, any significant increase in the prices of raw materials would adversely impact our profit margin.

Moreover, supplies of raw materials are subject to a variety of factors beyond our control. Such factors include demand and supply dynamics, suppliers' business performance, government control, overall economic conditions, weather conditions, various plant diseases, pests and other acts of nature, all of which may have an impact on the availability of raw materials and their respective market prices. While we have not experienced any major disturbances to raw materials supply in the past, we cannot guarantee that we may continue to obtain sufficient quantities of raw materials at acceptable prices or at all.

Our inability to guarantee frozen bovine semen for dairy cattle may have an adverse effect on our business and the growth prospects.

To genetically improve our herd of dairy cows, we mainly procure high quality frozen semen for bulls from third party supplier. Should our supply of frozen bovine semen for dairy cattle be disrupted or the quality of such frozen bovine semen for dairy cattle be deteriorated for any reasons, the genetic quality of our herd, and in turn, the quality and yield of raw milk may decline and fail to meet the demands of our customers. Accordingly, our business, results of operations and future growth prospects may be adversely affected.

We are subject to credit risk in collecting the trade and bill receivables and other receivables due from the customers.

For our raw milk business, we normally allow a credit period of 30 days upon invoice date to our customers. Historically, we have not experienced material collection issues in connection with our trade and bill receivables. However, there is no assurance that all such amounts due to us will be settled on time. Accordingly, we face credit risk in collecting the trade and bill receivables due from the customers. Our performance, liquidity and profitability will be adversely affected if significant amounts due to us are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

We may not be able to sustain our historical growth rates, and our historical performance may not be indicative of our future growth or financial results.

Our revenue increased by 11.2% from RMB4,956.8 million in 2018 to RMB5,514.2 million in 2019, and further increased by 9.2% to RMB6,020.2 million in 2020. However, there is no assurance that we will be able to maintain our historical growth in the future. Our revenue growth may slow down or our revenues may decline for a number of reasons beyond our control, including decreasing dairy consumption, increasing competition, changing consumer preferences, slowing growth of China's dairy industry, supply and production bottlenecks, changes in government policies or general economic conditions. The decline in our revenue growth could also materially and adversely affect our business.

We face intensive competition in our businesses and may not be able to compete successfully against our existing and future competitors.

We operate in highly competitive markets in China. For our raw milk business, we primarily compete with other large-scale dairy farms in China. In addition, our business is subject to rapid changes. Some of our current competitors have, and future competitors may have, greater financial, technical or marketing resources, longer operating histories, greater brand recognition or larger customer base than we do. Our competitors may also enter into business combinations or alliances that strengthen their competitive positions. Increased competition may reduce our market share and profitability and require us to increase our marketing and promotional efforts and capital commitment in the future, which could negatively affect our results of operations or force us to incur further losses.

Our results of operations are subject to fair value adjustments on our biological asset, which can be highly volatile and are subject to a number of assumptions.

We engage in agricultural activities by managing the biological transformation and harvest of our biological assets for sale or for conversion into agricultural products or into additional biological assets. Our results of operations, particularly our operating profit and profit of the year, have been and may in the future be significantly affected by biological asset fair value adjustments on our dairy cows. Any increase (decrease) in raw milk price will positively (negatively) affect both our revenue generated from selling raw milk and gains/losses arising from changes in fair value less costs to sell of dairy cows, hence making our results of operation volatile. The fair value of our biological assets at the end of each reporting period was determined by independent firm of professional valuers, using a number of assumptions that may vary from time to time. The fair value of the biological assets could be affected by, among others, the accuracy of those assumptions, as well as the quality of our herd and changes in the dairy industry. Therefore, the resulting adjustments can be highly volatile. These assumptions may be more favorable than the actual historical rates. In addition, while these assumptions as adopted in the valuation process have been in line with the actual results, we cannot assure you that there will be no significant deviation in the future. In particular, upward adjustments and gains so recognised do not generate any cash inflow for our operations. As a result, when evaluating our results of operations and profitability, you should consider our profits and margins without taking into account the effects of these biological assets fair value adjustments.

We may be unable to manage our future expansion and growth.

Our future growth depends on our ability to develop our infrastructure and expand our production capacity, and requires managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects.

In addition, as we expand our business into new regions, we may encounter regulatory, personnel, technique and other difficulties that may increase our expenses or may be unable to find suitable locations for our production facilities, which could delay our expansion plans or impair our ability to become profitable in these regions.

We face risks and challenges associated with our acquisitions and investments.

From time to time, we acquire companies or businesses, enter into strategic alliances and joint ventures and make investments, and will continue to seek opportunities to do so in the future as part of our expansion plan. In order to pursue this strategy successfully, we must effectively identify suitable targets for, and negotiate and consummate, acquisition or investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees. For example, we entered into agreement to acquire Fuyuan and Zhongyuan in March 2021 and April 2021, respectively, which are subject to conditions precedent including regulatory approvals. For more details on these acquisitions, see “Business – Recent Development” in this Offering Circular.

Risks associated with business combination and investment transactions include the following, any of which could adversely affect our revenue, gross margin and profitability:

- Managing business combination and investment transactions often require significant management resources, including an experienced senior management team, which may divert our attention from other business operations.
- There is no assurance that we will be able to effectively manage loss-making businesses that we acquire or transform them into profit-making businesses.
- We may not fully realise all of the anticipated benefits of any business combination and investment transaction, and the timeframe for realizing benefits of a business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers or other third parties.
- Business combination and investment transactions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.

- Our due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices or internal control deficiencies.
- We may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect our liquidity and financial condition.
- We may not be able to obtain sufficient debt or equity financing on terms acceptable to us or at all.
- If disputes arise in connection with business combination and investment transactions, such disputes may lead to litigation, which may be costly and divert our resources.

Integration issues are often complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business, including the business acquired as a result of any business combination and investment transaction. The challenges involved in integration include:

- combining product and service offerings and entering or expanding into markets in which we are not experienced or are developing expertise;
- combining different business models and managing different competitive landscapes;
- convincing customers and distributors that the transaction will not diminish client service standards or business focus, persuading customers and distributors not to defer purchasing decisions or switch to other suppliers (which could result in our incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and
- expanding and coordinating sales, marketing and distribution efforts;
- consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes;
- minimizing the diversion of management attention from ongoing business concerns;
- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into the Company, correctly estimating employee benefit costs and implementing restructuring programs;
- coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;
- achieving savings from supply chain integration; and

- managing integration issues after or pending the completion of other independent transactions.

We frequently review opportunities for further acquisition opportunities and partnerships in the ordinary course of our business and expect to continue to do so in line with our strategies for continued growth. There is no assurance that acquisitions will occur in the future or the form that any such acquisition will take. Our future growth may be adversely affected if we are unable to make investments or to pursue acquisitions, or if investments and acquisitions prove unsuccessful.

We face increased risks associated with implementing our strategic initiatives as the scale and breadth of our business and operations expand.

We seek to become the leader in the dairy farming sector in the world with the mission to “create the world’s most advanced farms, produce the highest quality milk, and achieve harmonious development of people and nature world”. Our ability to accomplish the goals of this strategy depends, among other things, allocating our development and capital resources in accordance with our strategy, and managing the effects of these strategic initiatives. We face increased risks associated with implementing our strategies given the increasing scale of our businesses, the scale of the business of the companies that we acquire. We also face risks associated with changing regulatory and market demand. As the scale and breadth of our business and operations grow, we face greater challenges to manage our business, operations and growth in an effective manner, including challenges associated with demand forecasting, manufacturing resource planning, inventory management, regulatory compliance. If we are unable to meet these challenges, our business, results of operations and prospects could be unfavorably affected.

Our business operations and financial performance are adversely affected by the outbreak of COVID-19, and may be materially and adversely affected by other natural disasters, epidemics, acts of war or terrorism or other factors beyond our control.

Since the end of December 2019, the outbreak of COVID-19 had a material adverse effect on the PRC and global economy. At the beginning of 2020, in response to intensifying efforts to contain the spread of COVID-19, stringent measures, including mandatory quarantines, mandatory inspection, travel restrictions, suspension of public transportation, prohibition of social gatherings and work gatherings were imposed in numerous regions across the PRC, causing a noticeable reduction in regional and national economic activities, especially in the wholesale and retail sector. This outbreak in turn negatively affected our business in various aspects, including but not limited to:

- some of our employees were required to work remotely due to mandatory quarantines;
- delayed supply by our suppliers due to the pandemic; and
- restricted the transportation of products.

We have taken measures such as wearing masks and conducting disinfection and prevention efforts to tackle the pandemic. However, we cannot foresee whether the outbreak of COVID-19 will be effectively contained, nor can we predict the severity and duration of its impact. If the outbreak is not effectively and timely controlled, our business operations and financial condition may be materially and adversely affected due to deteriorating market outlook and sentiments, slowdown in regional and national economic growth, weakened liquidity and financial condition of our customers, or other factors that we cannot foresee. The impact of COVID-19 pandemic on our businesses may depend on many factors and future development that are highly uncertain and unpredictable, such as the final geographical area where the pandemic are spread, the lasting of the pandemic, the impact of transportation, the effectiveness of measures to control the pandemic or its impact. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

In addition, any future potential events in the nature of force majeure, natural disasters, epidemics (including avian influenza, severe acute respiratory syndrome (SARS), H1N1 influenza virus and Ebola), war or terrorist activities or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of life, injury and destruction of assets and may disrupt our business and operations. Severe pandemic or epidemic disease outbreaks, including the recent outbreak of COVID-19 across China and around the world, could lead to widespread health crises, which may materially and adversely affect the consumption markets and the national economy. War or terrorist activities may also injure our employees, cause loss of life, or disrupt our business operations.

Failure to maintain the quality and safety of our products could have a material and adverse effect on our reputation, financial condition and results of operations.

The quality and safety of our products are critical to our success. We pay close attention to quality control, monitoring each step in the process through source control, process monitoring and terminal control based on the principle of “Four Don’ts”: don’t cooperate with unqualified client, 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. For more details, please see “Business – Quality Control – Quality Control Overview” in this Offering Circular. Yet, due to the scale of our operations and the expansion of our businesses, maintaining consistent product quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system, employee training to ensure that our employees adhere to and implement our quality control policies and procedures and the effectiveness of monitoring any potential violation of our quality control policies and procedures. There can be no assurance that our quality control system will always be effective.

In the event of any failure in our quality control system, we may not be able to detect contaminations or defective products, and may fail to prevent such defective products from being delivered to our customers, which could cause us to suffer monetary losses or damage to our reputation.

In addition, the quality of the products or services provided by our suppliers or service providers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control system, among others. There can be no assurance that our suppliers or service providers will always be able to adopt appropriate quality control systems and meet our stringent quality control requirements in respect of the products or services they provide. Any failure of our suppliers or service providers to provide satisfactory products or services could harm our reputation and adversely impact our operations.

Adverse publicity concerning food safety of dairy products in China could have a negative impact on the PRC dairy industry and our business.

There have been food safety incidents in China regarding contaminated dairy products produced by certain Chinese dairy manufacturers, shaking consumers' confidence in the PRC dairy industry. Negative publicity concerning food safety of dairy products in China, whether accurate or not, could result in loss of overall consumer confidence in dairy products produced in China. The PRC dairy farming industry, providing raw milk to be processed by the downstream dairy processors, could also be adversely affected consequently, even in the cases where the relevant food safety issues result from downstream processing only.

If the consumer perception and market demand for dairy products produced in China are negatively impacted by publicity about food safety incidents, in particular those associated with our existing and prospective customers, sales of our raw milk could also be adversely affected, resulting in a material adverse effect on our business, results of operations and financial condition.

Disruptions of operations at our production facilities could materially and adversely affect our business.

Our business depends on the smooth operations at our production facilities, including our dairy farms and plantation fields. For example, our raw milk business depends on our ability to procure forage grass, manage our dairy farms, produce quality raw milk and timely deliver quality raw milk to our customers. Damage to or disruption at our production facilities could materially and adversely affect our business. Such damage or disruption could result from the following factors, among other things:

- utility supply disruptions, terrorism, strikes or other force majeure events;
- forced closing or suspension of our production facilities;
- inclement weather conditions;
- major disease outbreaks at our dairy farms or our neighboring farms;
- pollution of underground water resources;

- our failure to comply with applicable regulations and quality assurance guidelines;
- interruption of our information technology systems that facilitate the management of our dairy farms and feed production facilities;
- accidents in our production facilities, including major equipment failures or fires, which may result in suspension of operations, property damage, severe personal injuries or even fatalities;
- opposition from, or disputes with, local communities with respect to our continued operation or further development or new development of our dairy farms or plantations fields; and
- other production or distribution problems, including limitations to production capacity due to regulatory requirements, changes in the types of products produced or physical limitations that could impact continuous supply.

Historically, we did not experience any material disruptions to our production facilities. However, we cannot assure you that the events and factors mentioned above will not occur and result in a material disruption to the operations of our production facilities in the future. If we fail to take adequate steps to mitigate the likelihood or potential impact of such events or factors, or to effectively respond to such events or factors, our business, results of operations and financial condition could be materially and adversely affected.

We rely heavily on the sales of our raw milk in China and are subject to changes in consumer preferences and consumption structure.

Our success depends on our ability to anticipate, identify, interpret and react to the evolving consumption structure of the downstream dairy market in China. Sales of our products could be affected by nutritional and health-related concerns about our products, such as fat, cholesterol, calorie, sodium, lactose, sucrose, bacteria and other ingredients contained in the products. Consumer preferences and consumption structure in the downstream dairy market are constantly changing and our failure to anticipate, identify, interpret and react to these changes, or our failure to generate consumer acceptance or recognition of our new products, could lead to decreasing demand for and/or price reductions of our products, which could materially and adversely affect our business, financial condition and results of operations.

Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that demand for these new preferable products will grow to the extent that we expect, or that these desirable products will generate the returns we expect. If we are unable to respond to rapid changes in consumer preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively or efficiently, our business, financial condition and results of operations could be materially and adversely affected.

Our ability to meet working capital requirements or obtain additional financing may be limited, which could delay or prevent the implementation of our growth strategies.

We have, to date, financed our working capital and capital expenditure needs primarily by managing our inventories, receivables and payables and bank loans from local banks. Our total bank and other borrowings as of 31 December 2018, 2019 and 2020 were RMB5,438.6 million, RMB6,589.9 million and RMB5,642.3 million, respectively. We may, in the future, require additional cash resources for the acquisition of Fuyuan and Zhongyuan and as we continue to expand our business operations and production facilities and implement other growth strategies. We cannot assure you that we will not experience working capital deficiencies or net cash outflows in the future. If our own financial resources are insufficient to satisfy our working capital requirements, we may seek to obtain additional credit facilities or sell additional private or public equity or debt securities.

Our ability to raise additional capital will depend on the financial success of our business, the successful implementation of our key strategic initiatives, economic and financial market conditions and other factors. There is no assurance that we will be successful in raising the required capital at favorable terms within required time period, or at all. Further equity financings may have a further dilutive effect on our shareholders. If we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and repayment of debt may put a significant drain on our free capital allocations. If we are unsuccessful in meeting our working capital requirements or obtaining additional financing, we may not be able to continue our business operations and advance our development programs, which could impact our overall growth prospects.

We may incur higher costs in complying with the increasingly stringent environmental laws and regulations.

We conduct business in an industry that is subject to stringent PRC environmental laws and regulations. These laws and regulations require enterprises that may produce environmental waste to adopt measures to effectively control and properly dispose of waste gases, wastewater, waste residue, industrial waste, dust and other environmental waste materials. Such laws and regulations also require fee payments from producers discharging waste substances. We produce a certain amount of solid waste and other environmental waste in our production process, and are subject to restrictions relating to the discharge of such waste. We need to obtain approvals and other acceptance documents relating to the environmental impact assessment before our dairy farms and feed mills are put into operation. In the event that more stringent PRC environmental laws, regulations or government policies are imposed on us, we may incur significantly increased costs and expenses and need to allocate additional resources to comply with such requirements, which we may be unable to pass on to our customers through higher prices for our products. We are also required to obtain permits from governmental authorities for certain operations. We could also be held liable for any and all consequences arising out of contamination at our facilities or human exposure to hazardous substances or other environmental damage. There is no assurance that our costs of complying with current and future environmental and health and safety laws and regulations, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect our business, financial condition or results of operations.

Changes in the international trade environment, and ongoing trade conflict, may have an adverse effect on our business.

In recent years, international market conditions and regulatory environment have been increasingly affected by competition among countries and geopolitical frictions. Changes in international trade or investment policies, treaties and tariffs, fluctuations in exchange rates or the perception that these changes could occur, could adversely affect our business, financial condition and results of operations. The U.S. administration has advocated and taken steps towards trade restrictions on certain goods, particularly from China. China and other countries have retaliated in response to new trade policies, treaties and tariffs implemented by the United States. For instance, in response to the tariff announcements by the United States in August 2019, China announced it would stop buying U.S. agricultural products and levied new rounds of retaliatory tariffs on U.S. products. After several rounds of trade talks between China and the United States, the two countries entered into the Sino-U.S. phase one deal in January 2020, according to which China suspended its retaliatory tariffs and agreed to increase purchases of U.S. agricultural products.

There are uncertainties as to whether the Sino-U.S. phase one trade deal will be implemented strictly or not at all, or whether China will impose additional tariffs on U.S. products in the near future. If the import price of feed materials surges due to increased tariffs or import restrictions, we will have to raise our selling price accordingly, which could lead to loss of customers and market share, and have an adverse effect on our business and results of operations.

Negative publicity concerning us and our business, our shareholders, affiliates, Directors, senior management and suppliers, regardless of its accuracy, may have a material adverse effect on our reputation, business and the trading price of our Shares.

Negative publicity concerning us, Mengniu Group, affiliates, Directors, senior management, suppliers and any other aspects of our business operations may arise from time to time, which may harm our brand and adversely affect public perception of our corporate image and product quality. Allegations, directly or indirectly against us, may be posted on blogs, websites and online social platforms by anyone, on an anonymous basis. We may be required to spend significant time and incur substantial costs in response to such allegations or other detrimental conducts, and there is no assurance that we will be able to conclusively refute each of them within a reasonable period of time, or at all. Our reputation may be harmed as a result of the public dissemination of malicious allegations about our personnel, business, operations, accounting, prospects or business ethics, which in turn could materially and adversely affect our business and the trading price of our Shares.

We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could adversely affect our business and results of operations.

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and permits in order to operate our business. For example, we need to obtain certificate for meeting animal epidemic prevention conditions and raw fresh milk purchase permit for our dairy farming business; for the construction of certain of our dairy farms and feed mills on construction lands, we shall apply for construction projects approval or registration, construction planning permit and construction commencement permit; our operation facilities are also required to obtain environmental protection assessment approval and pass the acceptance examination; we shall obtain water abstraction license to source underground water in the farms and feed mills which we operate and we must obtain grain purchase license and feed production license before carrying out feed business. We may be subject to fines, orders to cease construction or operation of the relevant production facilities, or terminate usage of the relevant properties. We may obtain these approvals, licenses and permits only upon satisfactory compliance with the applicable laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

In addition, there can be no assurance that we will be able to renew all of the licenses when they expire. For example, as of the date of this Offering Circular, our operating subsidiary in He Lin Ge Er is in the process of renewing its water extraction permit, our operating subsidiary in Tong Liao is in the process of renewing its Breeding livestock and poultry production and operation license, and our subsidiary in Shang He is updating its facility agricultural land filings. If we cannot obtain and maintain all licenses required to operate our business, our business could be interrupted or the continued operations of our business may be subject to fine and penalty. Furthermore, we need new approvals, licenses and permits for our expanded or newly developed dairy farms and feed mills under our expansion plans. If we are not able to obtain the required approvals, licenses and permits for our expanded or newly developed dairy farms or feed mills, we will not be able to expand the scale of our operation or produce and deliver sufficient amount of raw milk or feed products to our customers. As a result, our business, results of operations and financial condition could be materially and adversely affected.

We face the risk of obsolescence for our inventory.

Our business operations involve the storage of a range of raw milk with limited shelf lives. Given the short shelf lives of our inventories, we have implemented measures to monitor the level of inventory and minimise overstocking. Our inventory faces obsolescence risks when there are unexpected material fluctuations or abnormalities in the supply and demand of our products. Apart from material reduction in demand, goods may be returned from customers in large amounts due to product quality issues, delayed or wrong delivery and other reasons. Any such events may result in increasing inventory, which increases the risk of obsolescence.

In addition, semen and embryo products are generally stored in a frozen state; raw milk is usually stored at specific temperature levels, and there are strict requirements on the length of transportation. Any deviations from the required storage environment may result in quality problems of such products in stock, and heighten the risk of inventory obsolescence, which may have a material and adverse effect on our business and results of operations.

We may have limited control over third-party contractors or service providers.

We engage third-party contractors for the design and construction of our expanded or newly developed dairy farms. We require third-party contractors to carry out their work in accordance with the specifications and schedules of the relevant assignments as well as our quality, safety and environmental standards. We supervise and monitor the work of such third-party contractors. However, we cannot assure you that these third-party contractors will work in accordance with or meet our requirements at all times. Any failure by these third-party contractors to meet our requirements may result in sub-standard quality constructions and potential non-compliance with relevant government rules and regulations. Furthermore, in the event of any breach of contract by such contractors or if we fail to retain or replace third-party contractors on commercially viable terms, our business, results of operations and financial condition could be materially and adversely affected.

We also engage third-party logistics service providers to deliver our products to our customers. Timely delivery and proper transportation of our products are crucial to our business. Due to their perishable nature, our products could be damaged if they are not delivered to our customers in a timely manner and under controlled environment and temperatures. Our logistics service providers may not be able to deliver our products to customers on time and in good condition due to bad weather, technical problem or any other reasons, which could affect our sales volume and business operations. Additionally, such delay or failure could also have an adverse impact on our business relationships with these customers and, as a result, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to uncertainty with respect to our dairy farms that use contracted or leased collectively-owned agricultural land.

Certain of our dairy farms in operation or to be newly increased involve the occupation of collectively-owned agricultural land. According to the relevant PRC laws and regulations, large-scale farming operators of livestock, such as us, are allowed to contract or lease agricultural land from rural collective economic organisations or contractors. However, long-term contracting or leasing of collectively-owned agricultural land is subject to uncertainties such as breach or termination of agreements by the local villagers or rural collective economic organisations. Furthermore, consents from not less than two-thirds of the members of the villagers committees or of the representatives of villagers or the authorisation documents from the farmer-households concerned shall be obtained to contract or lease the collectively owned agricultural land. Any defect in part of the contracting or leasing procedures for the collectively owned agricultural land contracted or leased by us may result in the uncertainties of contractor or lease agreements. We may incur additional costs or be forced to relocate if any of our long-term leases is altered, terminated, materially breached or be alleged to be invalid.

We have incurred, and may in the future incur, impairment loss on non-current assets. Significant impairment of our non-current assets could materially impact our financial position and results of our operations.

We have made significant investments in non-current assets. We review our non-current assets, including property, plant and equipment, investment properties, right-of-use assets, goodwill and intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we measure impairment by comparing the carrying value of the non-current assets to the recoverable amount of the assets, which are the greater of the fair value less costs of disposal and the value in use. If the recoverable amount is less than the carrying amount of the assets, we recognise an impairment loss based on the recoverable amount of the assets. The application of non-current asset impairment test requires significant management judgment. If our estimates and judgments are inaccurate, the recoverable amount determined could be inaccurate and the impairment recognised may not be adequate, and we may need to record additional impairments in the future. Any significant impairment losses charged against our non-current assets could materially adversely affect our results of operations.

We have made, and may continue to make, equity investments in businesses as opportunities arise. Any changes in fair value may affect our financial position.

Fuyuan historically made equity investments in certain companies and we may in the future make equity investments from time to time. We have certain equity investments measured at fair value through other comprehensive income. Fair value is estimated using market approach, based on value of comparable listed companies and discounted for lack of liquidity, over which we have no control. Estimating the fair value of equity investments is inherently subjective. Any changes in fair value may affect our other comprehensive income and financial position.

Our insurance coverage and government compensation may not be sufficient to cover all of our potential losses.

With respect to the dairy cows raised at our dairy farms, our insurance policies generally cover, among other things, death caused by certain diseases, accidents or natural disasters, and losses incurred as a result of government orders of mass slaughters of farm animals in the relevant region. In addition, according to the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法), dairy farms are entitled to government compensation for losses resulting from livestock mass slaughter and destruction of animal products and relevant goods due to the prevention and control and elimination of animal diseases, and compensation for animals that die of stress caused by mandatory vaccination given in accordance with law. However, there can be no assurance that the current insurance coverage and government compensation, the amount of which will be determined by the PRC government, would be sufficient to cover all of our potential losses. Furthermore, even if we do receive sufficient compensation for replacing the lost cows, there is no assurance that any replacement cows would be of the same quality as the lost ones.

We also maintain insurance coverage for our main production facilities, equipment and inventories. Some of our subsidiaries maintain insurance coverage for damages caused by boiler pressure and robbery and theft. However, these insurance policies have limits on the total amount of indemnification and do not cover all potential losses. As a result, we may be required to use our own resources to cover financial and other losses, damages and liabilities, including those caused by fire, bad weather, disease, civil strife, strikes, natural disasters, terrorist incidents, industrial accidents or other causes. Also, we do not maintain any third-party product liability insurance or occupier's liability insurance. As a result, any product liability claims may subject us to liabilities to compensate the claimants if we are held liable. Losses incurred or payments that we may be required to make may have a material adverse effect on our business, results of operations and financial condition, to the extent that such losses or payments are not insured or the insured amount is not adequate.

Our labor costs may increase in the future and we may experience labor shortage or labor disputes.

Labor costs in China have been increasing and may continue to increase in the future. We cannot assure you that our cost of labor will not continue to increase. Any such increase could cause our production costs to increase and we may not be able to pass such increase to our customers due to competitive pricing pressures. Moreover, there can be no assurance that we will not experience any shortage of labor for our production facilities, including our dairy farms, plantation fields and feed production facilities. Any such shortage could hinder our ability to maintain or expand our business operations. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Further, our ability to successfully operate our business is dependent on our ability to maintain a stable workforce at our dairy farms. There were no labor disputes that materially and adversely affected our business historically. However, we cannot assure you that we will not be involved in any labor disputes in the future. If our operations are disrupted for any period of time as a result of labor disputes, our production volume could be reduced, which could materially and adversely affect our results of operations and hinder our growth.

Our results of operations may be adversely affected if there are failures in our intelligent management system.

We rely, to a large extent, on our advanced intelligent management systems for the monitoring and management of our herds and farms, covering all processes from information collection to activity monitoring and breeding to milking. Our intelligent management system includes real-time management system of herds, feeding system, production information management system and environmental intelligent control system. For more details, please refer to the section headed "Business – Intelligent Herd Management" in this Offering Circular. Our operating efficiency has been significantly enhanced by such information systems. We have not experienced any major information systems failure in the past. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information systems will not happen in the future. Additionally, restoring any damaged information systems may cause us to incur significant time and costs and require additional workforce. If any serious damage or significant interruption occurs, our operations may be disrupted and business adversely affected.

Our risk management and internal control systems may not be adequate or effective, which may have a material adverse effect on our business.

We seek to establish risk management and internal control systems consisting of an organisational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the large scale of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes. As we are likely to offer a broader and more diverse range of services and solutions in the future, the diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

Litigation, administrative penalties, or legal proceedings could expose us to liability, divert our management's attention and negatively impact our reputation.

We may be a party to legal proceedings or regulatory investigations arising from time to time. As at the date of this Offering Circular, we were not involved in any litigation or legal proceedings that we believe could have a material adverse effect on our business or financial condition. In addition, we may at times be involved in other litigation, administrative penalties or legal proceedings during the ordinary course of business operations, or related to, among other things, product or other types of liability, labor disputes or contract disputes. If we become involved in any litigation or other legal proceedings in the future, actions brought against us may result in compensation payments, settlements, injunctions, fines, penalties or other results that may adversely affect our reputation, business and financial condition. In addition, any litigation or legal proceedings could involve substantial legal expenses as well as significant time and attention of our management, diverting their attention from the operations of our Company.

RISKS RELATING TO THE DAIRY INDUSTRY IN CHINA

The outbreak of any diseases among our dairy cows or at neighboring farms could materially and adversely affect our business.

A major outbreak of any illness or disease at any of our dairy farms could have a significant adverse impact on our raw milk production capacity and volume. The source of diseases may include our employees, our feed supplies, visitors to our dairy farms, contaminated water and pathogens transmitted through the air. We vaccinate different groups of dairy cows according to the different stages of their growth at our dairy farms. We cannot guarantee that animal diseases, including but not limited to FMD will not occur at our dairy farms or we will not fail to monitor or detect any illness or diseases among our dairy cows or on neighboring farms. Any major outbreak of illness or diseases, including those mentioned above, at any of our dairy farms may lead to significant shortfalls in our raw milk production. We may also be required to suspend our business operations temporarily during any major outbreaks and examine all of our dairy cows. We maintain insurance policies to cover cattle deaths caused by diseases and we may also receive government compensation in the event of an outbreak of a disease. However, we cannot assure you that these will be sufficient to cover all of our losses, particularly intangible losses including damage to our reputation and corporate image. In addition, an outbreak of any dairy cows disease at neighboring farms could result in concerns of the public and our customers, which could in turn adversely impact our sales, reputation and results of operations. In the event of any outbreak, our business, financial condition and results of operations could be materially and adversely affected.

Changes in public health and food safety laws and regulations may adversely affect our business.

Our business operations are currently subject to extensive public health and food safety laws and regulations promulgated by a wide range of PRC authorities, such as the State Council, the State Administration for Market Regulation, the National Health Commission and the Ministry of Agriculture and Rural Affairs of the PRC.

We cannot assure you that the relevant PRC authorities will not change the existing laws or regulations, or adopt additional or more stringent laws or regulations applicable to us and our business operations. For example, the General Office of the State Council promulgated the Notice Regarding Measures to Further Strengthen Quality and Safety of Dairy Products (關於進一步加強乳品質量安全工作的通知) on 16 September 2010, and the Opinions on Promoting the Revitalization of the Dairy Industry and Ensuring the Quality and Safety of Dairy Products (關於推進奶業振興保障乳品質量安全的意見) on 3 June 2018, which called for strengthening of legal and regulatory measures regarding quality and safety of dairy products, by imposing rigorous laws and regulations, raising the quality and safety standards and strengthening the production control of the whole process. Such future laws and regulations may require the reconfiguration or upgrading of methods and procedures for sourcing raw materials, production, processing and delivery of dairy products. We cannot accurately predict the details of such future laws and regulations, or accurately estimate their potential impact on our business operations.

The costs of complying with current or future legal or regulatory requirements may be significant, and could force us to curtail our operations or otherwise have a material adverse effect on our business, results of operations and financial condition. Failure to comply may cause us to suffer from civil damages, administrative penalties or even criminal sanctions, which could have an adverse effect on our business, financial condition and results of operations.

The dairy industry in China could face slower market growth.

We have experienced steady growth in the past few years, with consumer demand for dairy products in China in 2020 growing at its fastest pace in 15 years. The prices at which we sell our products would be influenced by the level of consumer demand for dairy products in China. We cannot assure you that China's dairy industry will continue to grow at the same pace or at all in the future. China's dairy industry may experience slower growth due to market saturation or competition from alternative products, such as soy-based beverages and products, which may have an impact upon the size and growth of the dairy products markets. If the demand for dairy products in China declines for any reason, including changing consumer preferences, our results of operations and expansion plans could be materially and adversely affected.

Dairy products and company names may be subject to counterfeiting or imitation, which could impact upon our reputation and brand name as well as lead to higher administrative costs.

Counterfeiting and imitation have occurred in the past in the PRC for many products. We have experienced counterfeiting and imitation of our products, as well as imitation of our company name. As with all operators in the dairy industry in China, we are unable to guarantee that counterfeiting and imitation will not occur in the future and, if it does occur, whether we will be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could impact negatively upon our reputation and brand name. In addition, counterfeit and imitation products could result in a reduction of our market share, cause a decline in our revenues as well as increase our administrative costs in respect of detection and prosecution.

There have been also widely publicised occurrences of counterfeit, substandard milk products in China. Counterfeiting or imitation of our products may occur in the future, and we may not be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could negatively impact our corporate brand and image or consumers' perception of our products or similar nutritional products generally, particularly if the counterfeit or imitation products cause injury or death to consumers.

If we are unable to continue to benefit from government subsidies and preferential tax treatments, our results of operations could be adversely affected.

We have historically benefited from government policies that favor China's dairy industry. We have received government subsidies and enjoyed preferential tax treatments (such as exemption on, or preferential rates of, valued-added taxes and/or income tax) as a result of government policies which benefit the dairy industry in order to promote, among other things, improved industrialisation and specialisation levels of the husbandry industry, acceleration of

the breeding and promotion of fine breeds of livestock. We cannot assure you that we will continue receiving such governmental support or preferential tax treatments in the future, and if these government policies change, our results of operations could be adversely affected.

Our business operations are subject to risks relating to environmental, social and governance.

Our business operations are subject to risks relating to environmental, social and governance (the “ESG”), especially those related to climate change. Climate-related risks may potentially affect our business and financial condition in the short, medium and long term. Our dairy farms are located in various regions of China, including Inner Mongolia and Northeastern Region, which are subject to the risk of severe weather conditions of icing and snowing that could potentially lower raw milk yield. Furthermore, extreme heat across China could also have an adverse impact on the health conditions of our dairy cows, which may result in lower production volumes. Additionally, we may experience indirect impacts from supply chain disruption if we and/or our suppliers, especially our feed ingredients and forage grass suppliers, suffered from extreme weather conditions such as snowing, icing and flooding. The decrease in our raw milk yield or disruptions to our supply chain management may impact our ability to fulfill our existing contractual obligations, which, in turn, may cause monetary damages and loss of existing and potential customers.

Furthermore, potential transition risk may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policies. Tightened environmental regulations may require significant investment to be made in transforming our business and operations, which may have a material adverse impact on our business, results of operations and financial condition.

We have adopted a complete set of ESG-related policies and procedures to ensure our long-term and sustainable growth. However, such policies and procedures may not always be effective, or at all, to tackle the ESG-related risks that we may be exposed to.

Due to the nature of our business, emission of greenhouse gas is among the most important metrics to assess the impact of our operations on the environment. Since our dairy farming operation contributes a substantial portion of our total GHG emissions, and the GHGs emitted by dairy cows primarily come from their manure and exhaled breaths, we strive to continue to reduce the amount of greenhouse gas emitted by our dairy cows through a series of measures. However, there can be no guarantee that such measures would always be effective, if at all, to manage and control the level of our greenhouse gas emissions. Any failure of such measures could result in increases of our greenhouse gas emissions, which may subject us to administrative penalties or additional costs associated with addressing the increased greenhouse gas emissions. Additionally, if we fail to meet our emission reduction and resource consumption targets, or continue to reduce our emissions and resource consumption in general, our business, reputation and financial condition may be materially adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have an adverse effect on our business and prospects.

All of our revenue was derived from our businesses in the PRC historically. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the dairy industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be adversely affected.

The interpretation and enforcement of PRC laws and regulations involve uncertainties that could limit the legal protections available to you.

The PRC legal system is based on written statutes and may significantly differ from the legal system in your jurisdiction. Since 1979, the PRC Government has promulgated laws and regulations that deal with economic matters, including securities regulations, foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

The effect of future legal development in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law, cannot be predicted. As a result, there is substantial uncertainty as to the legal protection available to us and holders of the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation has occurred.

PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions in China.

Under the PRC Anti-monopoly Law, companies undertaking certain investments and acquisitions relating to businesses in China must notify the anti-monopoly enforcement agency in advance of any transaction where the parties' turnover around the world or in China exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party. Under the Provisions on Mergers and Acquisitions of Domestic Companies by Foreign Investors (外國投資者併購境內企業的規定), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, the approval of MOFCOM must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents merge and acquire domestic companies affiliated with PRC enterprises or residents. In addition, the Provisions on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Fluctuation of Renminbi exchange rates could have a material adverse effect on our business, financial condition, results of operations and prospects.

The value of the Renminbi against other foreign currencies is subject to fluctuations resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the U.S. dollar was generally stable. In July 2005, the PRC Government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBoC, against which it can rise or fall within stipulated ranges against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the U.S. dollar of approximately 24.6% from July 2005 to June 2015. From July 2008 to June 2010, the Renminbi traded within a narrow range against the U.S. dollar. In June 2010, the PBoC announced that the PRC will further reform the Renminbi exchange rate regime and enhance the RMB exchange rate flexibility. In April 2012, the PBoC expanded the floating range of Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1% and further expanded it to 2% in March 2014. In August 2015, the PBoC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar is to be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBoC. In 2016, Renminbi experienced further fluctuation in value

against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against other foreign currencies. There is no assurance that Renminbi will not experience significant appreciation or depreciation against other foreign currencies in the future. Any appreciation of Renminbi may subject us to increased competition from imported products. Meanwhile, as we purchase a certain proportion of dairy materials from overseas suppliers, any depreciation of Renminbi could possibly increase the cost of importing these products, and if we are unable to pass on the increased cost to our distributors by selling our products at higher prices, our business, financial condition and results of operations may be adversely affected. In the event that the appreciation of Renminbi against the U.S. dollars continues, we may incur foreign exchange losses. Furthermore, since our revenue and profit are denominated in Renminbi, any depreciation of Renminbi would materially and adversely affect our financial position, our ability to service our foreign currency obligations, as well as our ability to satisfy our obligations under the Bonds.

We are a holding company that relies heavily on dividend payments from our subsidiaries in China for funding.

We are primarily a holding company and our ability to satisfy our obligations under the Bonds depends to a large extent upon the receipt of dividends, distributions, interest or advances from our wholly or partly owned subsidiaries, our associated companies and jointly controlled entities. The ability of such subsidiaries, associated companies and jointly controlled entities to pay dividends and other amounts to us may be subject to their profitability and to applicable laws and restrictions on the payment of dividends and other amounts contained in financing or other agreements. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to satisfy our obligations under the Bonds. In addition, we are incorporated in the Cayman Islands and hold interests in our subsidiaries in China through our holding companies incorporated in Luxembourg and Ireland. Under the existing EIT Law and its implementation rules, if a foreign entity is deemed to be a "nonresident enterprise" as defined under the EIT Law and its implementation rules, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

We may be deemed to be a PRC tax resident under the PRC EIT Law, and as a result, our worldwide income may be subject to PRC EIT, dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to PRC withholding income tax.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiaries. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), or the EIT Law, which took effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018 separately, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10.0% withholding income tax, unless such foreign investor's jurisdiction of tax residency has a prevailing tax treaty in effect with the PRC that provides for a different withholding income tax arrangement.

The EIT Law provides that if an enterprise incorporated outside the PRC has its “de facto management body” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to a uniform 25% enterprise income tax on its global incomes (excluding dividends received from “resident enterprises”). “De facto management body” is defined as the body that exercises substantial overall management and control over the manufacturing and business operation, personnel, accounts, properties, etc. of an enterprise. In April 2009, the SAT, promulgated the “Notice of the State Administration of Taxation on Issues about the Determination of Chinese – Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management” (Guo Shui Fa [2009] No. 82) (“**Circular 82**”), which clarified the certain criteria for the determination whether the “de facto management body” of an offshore Chinese enterprise as the controlling shareholder of Mainland China enterprise. These criteria include: (i) the enterprise's senior management personnel and department who are responsible for managing the day-to-day business operation perform their obligations primarily in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 1/2 (including 1/2) or more of voting directors or senior executives of the enterprise habitually reside in the PRC. Meanwhile, the determination of “de facto management” shall apply based on the principle of substance over form. The SAT further issues administrative rules in July 2011 and January 2014 regarding administrative procedures for recognising PRC resident enterprise status of a Chinese- controlled company registered abroad.

According to the aforesaid SAT circulars, a Chinese-controlled company incorporated abroad could either apply for PRC resident enterprise status with the competent PRC tax authority in the place where its major Chinese investor is registered after company's preliminary assessment and the application will be subject to approval of competent PRC tax authorities, or be recognised as a PRC resident enterprise by competent PRC tax authorities upon investigation. In this regard, there are uncertainties that whether a Chinese-invested company registered abroad would be treated as a PRC resident enterprise before obtaining the relevant approval from competent PRC tax authorities. However, there have been no official explanation notes regarding the shareholding percentage of “major controlling shareholder” of aforesaid SAT circulars and no official implementation rules regarding the determination of the “de facto management body” for foreign enterprises which are not controlled by PRC enterprises.

Although this circular applies only to offshore enterprises funded by Chinese enterprises as controlling shareholders, rather than those funded by Chinese or foreign individuals or foreign enterprises as controlling shareholders (such as our Company), the determining criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of how they are funded. Although our Company is not funded by Chinese enterprises as controlling shareholders, substantial uncertainties remain as to whether our Company or any of our other non-PRC entities will be deemed a PRC resident enterprise for the EIT purposes. If we or any of our subsidiaries registered outside the PRC are to be deemed a "resident enterprise" under the EIT Law, our income tax expenses may increase significantly, and our profitability could decrease materially. If we and our direct holding companies are all recognised as PRC resident enterprise for tax purposes, dividend payment received by us and intermediate companies are exempt from PRC EIT under the condition that the direct shareholder has been holding the shares of the dividend payment company for more than 12 months. Furthermore, the EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realised from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. If we are treated as a PRC resident enterprise for PRC-tax purposes, according to aforementioned circulars issued by SAT, any dividends we pay to our overseas corporate shareholders that are non-PRC resident enterprise, which do not have an establishment or place of business in PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business, shall be regarded as PRC-sourced income and as a result become subject to PRC withholding income tax at a rate of up to 10.0%. Any gains realised on the transfer of our shares by such non-PRC resident enterprise investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Under the PRC Individual Income Tax Law and its implementation rules, PRC sourced dividends paid to non-PRC individual investors are generally subject to a PRC withholding income tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of our shares are generally subject to a 20% PRC income tax. If PRC income tax were imposed on gains realised through the transfer of our shares or on dividends paid to our non-resident investors, the value of your investment in our shares may be materially and adversely affected. Any PRC tax liability described above may be reduced under applicable tax treaties. However, it is unclear whether our shares holders whose jurisdictions of residence have tax treaties or arrangements with China, the PRC will be able to obtain the benefits of such tax treaties or arrangements, if the prerequisites provided under the relevant treaties or arrangements were not satisfied.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. On 18 January 2019, Hong Kong and China signed the new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region, or the 2019 Arrangement. Following the promulgation of a judicial interpretation by the PRC Supreme People's Court and the completion of the relevant procedures in Hong Kong, both sides would announce a date on which the 2019 Arrangement becomes effective. Upon effectiveness of the 2019 Arrangement, the 2006 Arrangement will be terminated. The 2019 Arrangement seeks to establish a mechanism for recognition and enforcement of judgments in a wider range of civil and commercial matters, but it will only apply to judgments made after its effectiveness date, which is not yet known. There are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the ability of the holders of the Bonds to initiate a claim outside of Hong Kong will be limited.

Government control of currency conversion and fluctuations in the exchange rates of the Renminbi may adversely affect our business, financial condition and our ability to remit dividends.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with SAFE or its local branches or designated banks is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay our foreign currency-denominated obligations, including our payment obligations under the Bonds. In addition, our liquidity and ability to satisfy our third-party payment and loan repayment obligations could be materially and adversely affected.

Since substantially all of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies, in particular our import trading business. This could also affect the ability of our subsidiaries in China to obtain foreign debt or equity financing, including by means of loans or capital contributions from us.

We purchase forage grasses from various overseas suppliers mainly from the U.S. and the settlement currency for our purchases is primarily in foreign currency whereas the settlement currency for all our sales is generally in Renminbi. The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. Any fluctuations in exchange rates of the Renminbi against the U.S. dollar or other foreign currencies may cause our costs for importing forage grasses to be volatile, which may adversely affect our business and results of operations.

PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using the proceeds from the Bonds to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity, and our ability to fund and expand our business.

As advised by our PRC Legal Advisors, any funds we transfer to our PRC subsidiaries, either as a shareholder loan, or as an increase in registered capital, are subject to approval by, filing with, or registration with, relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to registration with the market supervision and management department. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to

be registered with SAFE or its local branches or designated banks, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount or certain criteria relating to its net asset. Any medium-or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches or designated banks. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the proceeds of the Bonds, and to capitalise our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of 1 June 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises, which allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On 9 June 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capitals for expenditure beyond their business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises (with the exception that such business is expressly permitted in the business license) or constructing or purchasing real estate not for self-use, except for real estate enterprises. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net proceeds of the Bonds, which may materially and adversely affect our business, financial condition and results of operations.

Certain judgment obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and Directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

RISKS RELATING TO THE BONDS

Any failure to complete the relevant filings under the NDRC Circular may have adverse consequences for the Issuer and/or the Bondholders.

NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Modern Farming (Group) Co., Ltd. has obtained the NDRC pre-issuance registration on 28 June 2021, under which the Issuer has been granted a foreign debt issuance quota. Similarly, the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular is unclear. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (Events of Default) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to file or cause to be filed with the NDRC the particulars of the issue of the Bonds within 10 PRC Business Days after the Issue Date.

The Bonds will be effectively subordinated to all of the Issuer's secured debt.

The Bonds are general senior unsecured obligations. The Bonds will be effectively subordinated to all of the Issuer's secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the Bonds will, subject to some limitations, permit the Issuer to incur additional secured indebtedness in connection with bank and other financing arrangements.

In the event of bankruptcy, liquidation, reorganisation or other winding-up, the Issuer's assets that secure its secured indebtedness will be available to pay obligations on the Bonds only after all secured indebtedness, together with accrued interest, has been repaid. If we are unable to repay the Issuer's secured indebtedness, the lenders could foreclose on substantially all of the Issuer's assets which serve as collateral. Under such circumstances, the Issuer's secured lenders would be entitled to be repaid in full from the proceeds of the liquidation of those assets before those assets would be available for distribution to other creditors, including holders of the Bonds. Holders of the Bonds will participate in the proceeds of the liquidation of the Issuer's remaining assets rateably with holders of the Issuer's unsecured indebtedness that is deemed to be of the same class as the Bonds, and potentially with all of the Issuer's other general creditors.

Claims by holders of the Bonds are structurally subordinated to the Issuer's subsidiaries.

None of the Issuer's subsidiaries will guarantee the Bonds. Therefore, the Bonds will be structurally subordinated to any indebtedness and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries, whether or not secured. We may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws and the contracts and agreements which they enter into from time to time. The Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefor, whether by dividends, loans or other payments. As a result, all claims of creditors of the existing and future subsidiaries of the Issuer, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over claims of the Issuer and those of creditors of the Issuer, including holders of the Bonds.

If the Issuer is unable to comply with the restrictions and covenants in the Issuer's debt agreements or the Bonds, there could be a default under the terms of these agreements or the Bonds, which could cause the repayment of the Issuer's debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the relevant debt could terminate their commitments to lend to the Issuer, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the Bonds, may contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events should occur, there can be no assurance that the Issuer's assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be obtained. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

Investment in the Bonds may subject investors to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. If an investor measures its investment returns by reference to a currency other than U.S. dollars, an investment in the Bonds entails foreign exchange related risks, including possible significant changes in the value of the U.S. dollar relative to the currency by reference to which an investor measures its investment returns, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign exchange gains resulting from any investment in the Bonds.

A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar securities. Application will be made to the Hong Kong Stock Exchange for the Bonds to be admitted for listing on the Hong Kong Stock Exchange, but no assurance can be given as to the liquidity of, or trading market for, the Bonds. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. The Joint Lead Managers are not obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, holders of the Bond should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the Issuer's assets. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The rating assigned to the Bonds and the Issuer may be lowered or withdrawn in the future.

The Bonds are expected to be assigned a rating of "BBB" by S&P. In addition, the Issuer received a BBB (Stable) by S&P. The rating addresses the Issuer's ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. We have no obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Developments in the international financial markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. The economic effects of the global financial crisis of 2008 and 2009 and the European sovereign debt crisis have been widespread and far reaching and the international financial markets have experienced significant volatility. While some of these economic factors have since improved, lasting impacts from the global financial crisis, subsequent volatility in financial markets and the recent European sovereign debt crisis (and potential contagion from it) suggest ongoing vulnerability and adjustment in general business, capital markets and economic conditions. In addition, the COVID-19 pandemic has caused volatility in stock markets worldwide to lose significant value since February 2020. If such developments continue or if similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

Because the Issuer is incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Issuer would likely involve the Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A change in English law which governs the Bonds may adversely affect the holders of the Bonds.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds. Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed and/or the Agency Agreement by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of the holders of the Bonds may be adverse to the interests of the individuals.

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of the Bonds, any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed or the Agency Agreement (other than in respect of a reserved matter) that in its opinion is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of the Bonds, or any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interest of the Bondholders. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, waiver or authorisation shall be notified by the Issuer to the Bondholders as soon as practicable.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

Where the Trustee is under the provisions of the Trust Deed, bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all steps, actions, proceedings, claims and/or demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or to institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such steps and/or actions and/or to institute such proceedings directly.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.

The Bonds will initially be represented by in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with the Euroclear and Clearstream (collectively, the “**Clearing Systems**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The relevant Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for the Clearing Systems for distribution to their account holders.

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

A holders of the Bonds of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders of the Bonds will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Holders of the Bonds should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a holder of the Bonds who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

We will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the holders of the Bonds. However, the holders of the Bonds may re-invest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The holders of the Bonds may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

As the Bonds will carry a fixed interest rate, the trading price of the Bonds will consequently vary with the fluctuations in interest rates. If holders of the Bonds sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The Bonds may be redeemed by the Issuer prior to maturity.

As set forth in Condition 6 of the Terms and Conditions, the Bonds may be redeemed at the Issuer's option in the circumstances set out therein. If the Bonds are redeemed prior to its maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds. Further, the Issuer may (and at maturity, will) be required to redeem all of the Bonds upon occurrence of certain events. If any such event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

Holders of the Bonds are bound by decisions of defined majorities in respect of any modification, waivers and substitution.

The Terms and Conditions contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders of the Bonds who did not attend and vote at the relevant meeting and holders of the Bonds who voted in a manner contrary to the majority.

We may issue additional Bonds in the future.

We may, from time to time, and without prior consultation of the holders of the Bonds, create and issue further Bonds (see the subsection headed "Further Issues" under the Terms and Conditions) or otherwise raise additional capital through such means and in such manner as we may consider necessary. There can be no assurance that such future issuance or capital-raising activity will not adversely affect the market price of the Bonds.

The Bonds do not restrict the Issuer's ability to incur additional debt, repurchase the Bonds or to take other actions that could negatively impact holders of the Bonds.

We are not restricted under the terms of the Bonds from incurring additional debt, including secured debt (subject to Condition 4(a)), or from repurchasing the Bonds. The Bonds also do not contain restrictions on the payment of dividends or making of other restricted payments or contain any other covenants or provisions designed to afford holders of the Bonds protection in the event of a highly leveraged transaction involving the Issuer that could adversely affect such holders. In addition, the covenants applicable to the Bonds do not require the Issuer to achieve or maintain any minimum financial results relating to the Issuer's business, financial position and results of operations. The Issuer's ability to recapitalise, incur additional debt and take other actions that are not limited by the terms of the Bonds could have the effect of diminishing the Issuer's ability to make payments on the Bonds and amortising bonds when due.

Our shareholders may have interests that differ from the interests as Bondholders.

Our shareholders are able to control the election of our directors and determine our corporate and management policies as well as our decisions on certain significant corporate transactions, including, but not limited to, whether to pursue or consummate potential mergers or acquisitions, asset sales. In particular, our controlling shareholder, Mengniu, and strategic shareholder, New Hope, are collectively deemed to have approximately 60.34% interest in the Company's shares as at 11 May 2021 and have significant influence on our corporate and management policies.

The interests of our shareholders may not coincide with the Bondholders. For example, our shareholders may have an interest in pursuing acquisitions, divestitures, financings and other transactions that, in their judgement, could enhance their equity investments, even though those transactions might involve risks to you as a holder of the Bonds.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth, on a consolidated basis, the capitalisation of the Company as at 31 December 2020, (i) on an actual basis and (ii) on as adjusted to give effect to the issuance of the aggregate principal amount of the Bonds described in the notes below:

This table should be read in conjunction with “Use of Proceeds”, “Business – Recent Development” and our consolidated financial statements, the related notes and other financial information contained elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted ⁽¹⁾	
	RMB	USD	RMB	USD
	(in thousands)			
Bank balances and cash	1,144,347	175,379	4,406,847	675,379
Short-term and long term indebtedness				
Bank borrowings, unsecured	5,281,002	809,349	5,281,002	809,349
Bank borrowings, secured.	361,324	55,375	361,324	55,375
The Bonds to be issued hereby	–	–	3,262,500	500,000
Total short-term and long-term indebtedness.	5,642,326	864,724	8,904,826	1,364,724
Equity				
Equity attributable to owners of the Company.	7,896,923	1,210,256	7,896,923	1,210,256
Non-controlling interests	141,521	21,689	141,521	21,689
Total equity	8,038,444	1,231,945	8,038,444	1,231,945
Total Capitalisation ⁽²⁾	13,680,770	2,096,669	16,943,270	2,596,669

(1) The “As adjusted” balances shown above do not take into account the application of any of the proceeds from this offering.

(2) Total capitalisation represents the sum of total short-term and long-term indebtedness and total equity.

On 27 January 2021, the Company issued an aggregate of 650,000,000 new shares to certain independent third parties at the placing price of HK\$2.40 per share and the net proceeds from the placing amounted to approximately HK\$1,552 million. The Company intends to apply the net proceeds from the placing on infrastructure development and herd expansion, potential mergers and acquisitions and general working capital. Immediately after completion of the placing, Mengniu directly and indirectly held 52.41% of the Company’s issued share capital.

In connection with the Fuyuan Acquisition, the Company will issue and allot 807,096,101 considerations shares in the sum of RMB1,508,670,520 (equivalent to approximately HK\$1,807,895,265 calculated using the exchange rate of HK\$1.00 to RMB0.83449) at the issue price of HK\$2.24 per consideration share to Mengniu as part of the consideration and the cash consideration shall be satisfied by cash funded by a combination of internal resources of our Group and external financing. For details of the acquisition of Fuyuan, please see “Business – Recent Development – Acquisition of Fuyuan” of this Offering Circular.

In connection with the acquisition of Zhongyuan, the consideration shall be satisfied by cash funded by a combination of internal resources of our Group and external financing.

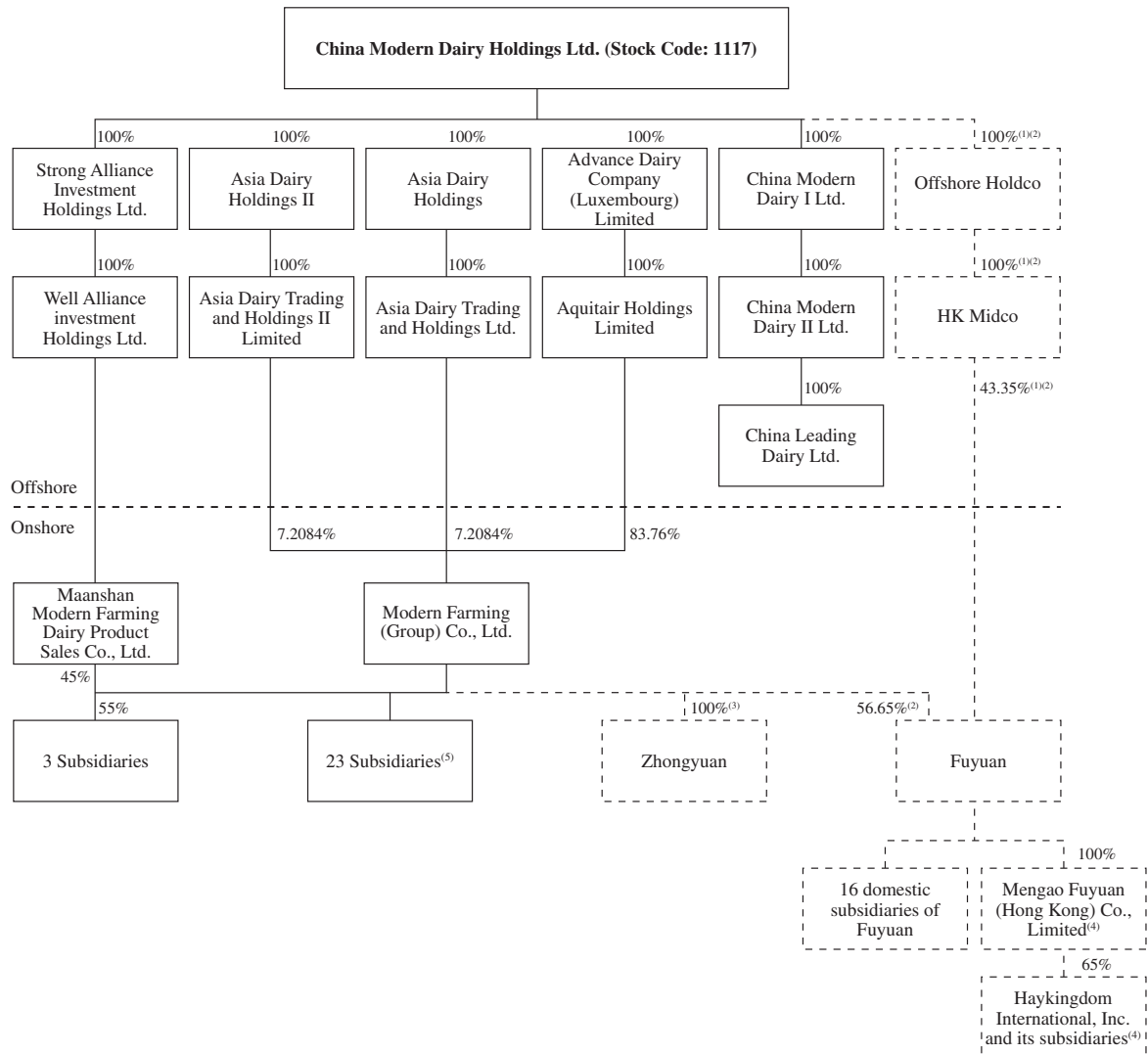
Save as disclosed in this Offering Circular, since 31 December 2020, there has been no material change in the capitalisation and indebtedness of the Group. The Group will continue to incur indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding its operations in the ordinary course of business.

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting commissions and other estimated expenses payable in connection with this offering, will be US\$498,585,000, which we plan to use for refinancing and general corporate purposes.

CORPORATE STRUCTURE OF THE GROUP

The chart below illustrates the simplified corporate structure of the Group as at the date of this Offering Circular.



- (1) Offshore Holdco is an investment holding company to be established under the laws of Cayman Islands or the laws of the British Virgin Islands which will hold, via its wholly-owned subsidiary, HK Midco, which is a holding company to be established in Hong Kong, the corresponding equity interests in Fuyuan held by Inner Mongolia Mengniu.
- (2) We entered into a sale and purchase agreement to purchase the 100% equity interests in Fuyuan on 22 March 2021. Subject to conditions precedent and regulatory approvals, such acquisition is expected to be completed in the fourth quarter of 2021. For more details, please see “Business – Recent Development – Acquisition of Fuyuan” in this Offering Circular.

- (3) We entered into a sale and purchase agreement to acquire 100% equity interests in Zhongyuan on 8 April 2021. Subject to conditions precedent and regulatory approvals, such acquisition is expected to be completed in the third quarter of 2021. For more details, please see “Business – Recent Development – Acquisition of Zhongyuan” in this Offering Circular.
- (4) Such subsidiaries being offshore subsidiaries.
- (5) For further information, please refer to the list of our subsidiaries as set out in note 43 of the notes to our 2020 Consolidated Financial Statements, the text of which is set out in pages F149-F154 of the Offering Circular.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 11 May 2021, the Directors and the chief executive of the Company were not aware of any other shareholders interested in 5% or more of the interests and short positions in the Shares and underlying Shares or any person (other than a Director or chief executive of the Company) which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Laws of Hong Kong (the “SFO”) or as otherwise recorded in the register required to be kept by the Company under section 336 of the SFO or required to be disclosed under the Takeovers Code:

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding interests
China Mengniu Dairy Company Limited	Beneficial owner	1,246,079,369 (L) ⁽¹⁾	17.53%
	Interest in controlled corporation (through Future Discovery Limited)	2,407,866,412 (L) ⁽²⁾	33.87%
Central Huijin Investment Ltd.	Interest in controlled corporation (through BOCI Financial Products Limited)	543,553,596 (L) 542,053,596 (S)	7.65% 7.63%
	Interest in controlled corporation (through Nam Tung (Macao) Investment Limited)	1,500,000 (L)	0.02%
	Interest in controlled corporation (through BOCI Financial Products Limited)	542,053,596 (L) 542,053,596 (S)	7.63% 7.63%
Bank of China Limited	Interest in controlled corporation (through BOCI Financial Products Limited)	542,053,596 (L) 542,053,596 (S)	7.63% 7.63%
	Interest in controlled corporation (through Nam Tung (Macao) Investment Limited)	1,500,000 (L)	0.02%
BOC International Holdings Limited	Interest in controlled corporation (through BOCI Financial Products Limited)	542,053,596 (L) 542,053,596 (S)	7.63% 7.63%
	Beneficial interest	542,053,596 (L) 542,053,596 (S)	7.63% 7.63%
New Hope Dairy Co., Ltd.	Interest in controlled corporation (through GGG Holdings Limited)	635,345,763 (L)	8.94%
New Century Ltd.	Interest in controlled corporation (through GGG Holdings Limited)	635,345,763 (L)	8.94%

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding interests
Liu Chang	Interest in controlled corporation (through GGG Holdings Limited)	635,345,763 (L)	8.94%

Notes:

1. 613,877,227 Shares have been lent to BOCI Financial Products pursuant to a securities lending agreement dated 17 June 2020 entered into between Mengniu as lender and BOCI Financial Products as borrower. As of 11 May 2021, the number of Shares that had been lent to BOCI Financial Products has decreased to 542,053,596.
2. Future Discovery is a subsidiary of Mengniu.
3. Based on 7,108,565,947 Shares in issue as of 11 May 2021.
4. (S) denotes a short position.
5. (L) denotes a long position.

BUSINESS

OVERVIEW

We are one of the leading dairy farming companies in terms of herd size and a leading raw milk producer in China and globally. We are committed to the upstream dairy farming business, and is devoted to producing high quality raw milk products for consumers whilst also engaged in profit sharing initiatives by the associated company established for the business of our self-branded liquid milk products with Mengniu. As of 31 December 2020, we operated 26 dairy farms in China with dairy cows of over 247,000 heads and annual milk yield of approximately 1.49 million tons.

We are listed on the Main Board of the Hong Kong Stock Exchange since November 2010 (Stock Code: 1117). As at 31 December 2020, our market capitalisation was HK\$12,012.9 million.

We are relentlessly focused on food safety, product quality, as well as operating efficiency. We have continued to lead in driving modernisation of the overall dairy through, employment of modern farming, development of large-scale farms, use of technologies and improving genetics, amongst others. Every procedure in the production of raw milk e.g. milking, refrigeration and transportation was completed with monitoring measures and the strictest standard was adopted to guarantee the quality of raw milk.

We initiated the production model of “Zero-distance Integration of Forage Grass Planting, Cows Breeding and Milk Processing within Two Hours”, which is the first enterprise at present in the PRC that applies integrated production model with SGS certification. We are the first company in China that passed the “Quality Milk Project” for both its pasteurised milk and UHT milk. Our products have been awarded the Gold Prize of Monde Selection which is generally regarded as the “Nobel Prize” in the food industry, for the past eight consecutive years and our pure milk was also awarded the gold prize for the eighth time in consecutive years in the Monde Selection 2021 in year 2021. The brand “現代牧業” (Modern Dairy) has been shortlisted as the “Strategic Partner of China’s Aerospace Industry”.

We have established comprehensive strategic partnership with Mengniu, our controlling shareholder and major customer. The strategic partnership with Mengniu brings numerous benefits to us, including guaranteed raw milk sale via Off-Take Agreement, and sharing of internal resources strengthens our synergies with Mengniu in terms of sales, cost control (via the enhancement of market confidence and our bargaining power with third party feed suppliers) and resources utilisation (by Mengniu sharing and exchanging experience in aspects such as personnel training, information empowerment and smart farm management). To date, as the largest raw milk supplier to Mengniu, we have been assisting Mengniu to consolidate its raw milk supply platforms and our contribution to Mengniu’s raw milk supply is expected to further increase post acquisition of Fuyuan and Zhongyuan. Currently, approximately 25% of Mengniu daily raw milk intake is supplied by us.

We have been expanding our herd size and production in a stable manner to attain sustainable business growth and creating a vertically integrated upstream dairy farming enterprise by integrating the upstream and downstream business, thereby building a full chain of raw milk production from forage cultivation, dairy farming, feed processing to sales. In March 2021, we entered into an agreement to acquire Fuyuan, the principal business of which are forage cultivation, dairy farming, feed processing and sales in the PRC. We also entered into an agreement in April 2021 to acquire Zhongyuan, which is principally engaged in cow breeding, farms management and operation, milk production and sale in the PRC. Subject to conditions precedent and regulatory approvals, acquisition of Fuyuan is expected to be completed in the fourth quarter of 2021 and acquisition of Zhongyuan is expected to be completed in the third quarter of 2021. We believe the strategic acquisitions of Fuyuan and Zhongyuan would enable our Group to integrate the upstream and downstream business to achieve synergies which in turn is expected to increase our overall competitiveness, lower the operating costs and benefit the financial performance our Group.

KEY BUSINESS MILESTONES

<u>Year</u>	<u>Event</u>
2005.....	Leading Farming was incorporated and commenced business
2006.....	Our first dairy farm in Ma’anshan, Anhui Province, commenced operation
2008.....	Entered into a 10-year Off-Take Agreement with Mengniu
2010.....	Listed on the main board of the Hong Kong Stock Exchange
2013.....	Mengniu became the single largest shareholder of the Company
2018.....	Extended the Off-Take Agreement with Mengniu for another 10 years
2019.....	New Hope Dairy became the second largest shareholder
2021.....	Announcement of acquisition of Fuyuan and Zhongyuan

OUR COMPETITIVE STRENGTHS

A global leader in the dairy farming sector with modernised business model to produce high-quality raw milk

We are a global leader in the dairy farming sector in terms of herd size and raw milk output in 2020. With scientific management and nationwide dairy farm network that spans across seven provinces in China, we produce a variety of high-quality raw milk products that cater to increasing demands of scaled downstream dairy manufacturers with national presence driven by dairy consumption upgrades in China. In addition, our significant scale and market leading position enable us to purchase cows, equipment and feed at competitive prices from our suppliers. As at 31 December 2020, the Group operated a total of 26 dairy farms across 7 provinces with contracted forage planting land amounting to 1.07 million mu and 247,371 dairy cows.

The scale and location of dairy farms and feed mills are critical to raw milk production and feed production. As one of the earliest companies operating large-scale dairy farms in China, we have leveraged our first-mover advantage to consistently secure expansive farmland suitable for dairy farming and feed production, including the construction of new large-scale dairy farms and feed mills as well as the expansion of existing dairy farms and feed mills.

Our farms are equipped with comprehensive facilities and the latest breeding, feeding and herd management technologies, and we have accumulated extensive experience in operating large-scale modernised free-stall dairy farms in China. Our business model and management experience enable us to operate large-scale farms efficiently, ensuring that comprehensive, modern and scientific practices are applied consistently throughout and high-quality standards are maintained at each of our farms, regardless of location.

We pioneered to employ scientific dairy farm management principles and established a highly scalable and replicable industry-leading management process to enhance our operational efficiency and product quality. We use advanced data analysis system to automatically record and analyze raw milk production to shorten the whole processing to within 2 hours. We also ensure transparent supervision of raw milk transportation from our dairy farms to the factories through 24-hour online monitoring, intelligent early warning at key points during transportation.

We are among the first companies in China to adopt a large-scale modernised free-stall dairy farming business model. We believe the key elements of our modernised business model are 1) standardised operating procedures; 2) centralised management functions; 3) automated information systems; 4) uniform farm designs and layouts; and 5) large-scale operations with high replicability.

We adopt a stringent selection process in choosing our feed suppliers. We investigate the market to identify suitable suppliers and the candidates are required to submit samples to us. After testing and examination of the samples and evaluation of the candidates, we enter into agreements with our selected suppliers. Upon each delivery, we conduct various sample tests and examinations before the feed is stored in our warehouses and we conduct another round of sample testing before we feed our cows and heifers. In addition, our farms are strategically located close to milk processing plants, and we generally supply raw milk directly to milk processors shortly after the raw milk is produced, thus shortening the transportation process and reducing the risk of contamination and product tampering before it reaches milk processors.

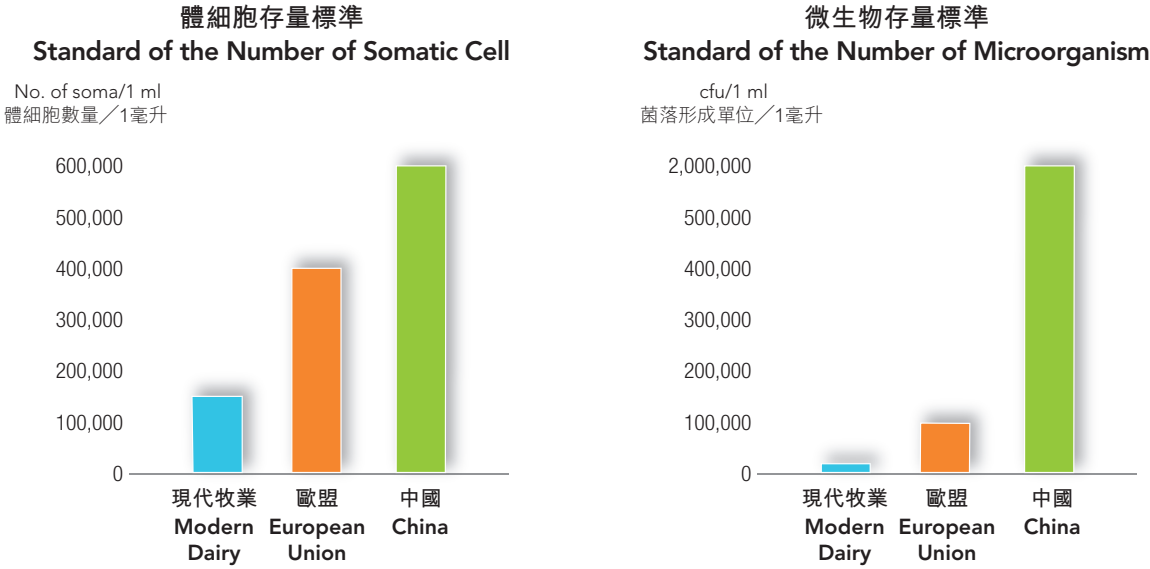
We will continue to adhere to the fundamental principles of safe and quality production, provide each of its dairy cows with the best living environment, utilise the most natural scientific breeding methods and feeding techniques to allow our dairy cows to produce the highest quality pasture milk, and give back to consumers. We also implement stringent and standardised disease control practices and risk management policies throughout all of our farms in order to minimise the incidence of disease and sickness. We aim to identify sickness at the earliest possible opportunity to prevent it from spreading among our milking cows and affecting our overall milk production and yield. Such controls include strict disinfection procedures with respect to feeding and living areas as well as daily inspections of a sample of our herd. We also vaccinate different groups of calves, heifers and milkable cows according to the different stages of their growth.

As a nationwide dairy farm operator, the Group is endowed with unique geographical advantages that most of our farms are located in regions with fine climate and ample supply of feed. We also locate our dairy farms in economically vibrant regions and in the proximity of processing plants of dairy products, to accommodate our downstream customers' demands. As a result, we are able to pioneer the world's first model of "Zero-distance Integration of Forage Grass Planting, Cows Breeding and Milk Processing within Two Hours", the shortening of the processing time of the raw milk not only enables us to meet our downstream clients' raw milk needs in a timely manner but it also increases the quality of the milk by retaining more active substances in the raw milk.

We believe that we are well-positioned to effectively address the quality and safety concerns of our raw milk customers in China. We believe our comprehensive, modern and scientific operating procedures and centralised monitoring and quality control systems can minimise the risk of contamination of our raw milk. Since the commencement of our business, there has been no melamine in the raw milk we have produced. We follow international best practices and exercise full control at every step of our production process, including feeding, milking, storage and transportation.

We ensure the quality management and control were scientifically controllable and adhered to the principle of high starting point, high positioning and high standard, keeping consumers to be informed with quantitative data of milk. Every procedure in the production of raw milk e.g. milking, refrigeration and transportation was completed with monitoring measures and the strictest standard in the world adopted, the quality of raw milk was therefore guaranteed.

Our comprehensive, modern and scientific practices and dairy farming expertise enable us to consistently produce high-quality and safe raw milk with higher cost efficiency. Raw milk quality is determined by various factors, which include microbe and somatic cell count. The standard of Modern Dairy is more stringent than those of the PRC and European Union as evidenced in the table below. The standard of the number of somatic cell per 1 milliliter (ml) of raw milk is no more than 600 thousand cells according to the PRC relevant guidelines, 400 thousand cells per 1 ml in the European Union, and less than 150 thousand cells per 1 ml in Modern Dairy. With respect to the number of microorganism, the standard of the European Union is no more than 100 thousand colony-forming unit (cfu) per 1 ml of raw milk, and that of the PRC is no more than 2 million cfu per 1 ml, and that of Modern Dairy is less than 10 thousand cfu per 1 ml of raw milk. We believe that our raw milk are far exceeding the industry standards with better quality. Historically, our raw milk protein content achieved 3.4% versus industry standard of 2.8% and our raw milk fat content achieved 3.8% versus industry standard of 3.1%. We aim to continue to produce high quality raw milk using such protein and fat content historically achieved as goals.



With our superior scientific dairy farm management principles and industry-leading management process, we have been able to increase our average milk yield per milkable cow which continuously increased and reached 10.1 tons, 10.6 tons and 11.1 tons (annualised average milk yield per milkable cow) in 2018, 2019 and 2020. Our raw milk price was RMB3.85 per kg, RMB4.04 per kg and RMB4.13 per kg in 2018, 2019 and 2020.

Well-positioned to seize the development opportunities and to capture the growth momentum of the PRC dairy industry

The Chinese government has continued to support and foster the development and optimisation of local dairy industry by introducing a number of policies to strengthen dairy industry support. Thanks to abundant resources, advanced technologies and standardised management procedures, we are able to produce large quantities of safe and high-quality raw milk in an economical manner, thereby taking more production share in raw milk domestically. As a result, medium-and small-scaled farms have been phasing out the market and the herd size has been shrinking since 2015 due to the strict environmental regulations. In addition, the PRC government also introduced supportive regulations and policies, such as the Outlines of the Restructuring and Revitalization Plan for the Dairy Industry (奶業整頓和振興規劃綱要), which encourage the development of large-scale dairy farms. With the withdrawal of small and medium sized dairy farms from the market, large-scale farms have become a main source of raw milk production in the PRC. The industry entry barriers of large-scale farming are high, and we are well-positioned to seize the development opportunities of the PRC dairy industry, the advantages of scale and being an industry leader. Other policy guidelines, such as the Opinions on Promoting the Revitalization of the Dairy Industry and Ensuring the Quality and Safety of Dairy Products (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) stipulates raw milk self-sufficiency target of 70% by 2020, and (Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization (Central Document No.1) (中共中央、國務院關於全面推進鄉村振興加快農業農村現代化的意見(中央一號文件)) that further promoted dairy industry and scaled farming in the PRC.

Driven by increasing urbanisation and consumption upgrades, the dairy market in China has witnessed increasing consumer demand, especially for premium and specialty dairy products, and has realised significant growth in recent years. The rapid growth and consumption structural adjustments in the downstream dairy market have propelled the development of China's upstream dairy market, leading to a growing demand for high-quality raw milk and effective feeding and breeding solutions. As a leader in the upstream dairy value chain in China, we are well-positioned to capture the significant opportunities driven by the development of China's dairy industry. The consumption of raw milk in the PRC has already reached 50.8 million tons.

On the supply side, raw milk production volume in China remained relatively stable during 2014 to 2019. China's raw milk supply dropped from 31.8 million tons in 2015 to 30.4 million tons in 2017. The decrease was primarily attributable to the decline in the total number of dairy cows due to the exit of a large number of small-scale dairy farms in light of the drop in raw milk price in 2014. On the back of growing demand, the supply demand gap in raw milk remains significant and raw milk price has continued to trend upward. In 2018, average raw milk price in the PRC was RMB3.46 per kg, as compared to RMB4.26 per kg from January to May 2021.

Consistent growth through a long standing strategic and mutually beneficial partnership with Mengniu

We have established long-term and stable strategic partnership with Mengniu, the leading dairy manufacturer in China and we have been the largest raw milk supplier of Mengniu pursuant to the Off-Take Agreement we signed with Mengniu since 2008. The Off-Take Agreement had been extended in 2018 for another 10 years to 2028.

We believe that our partnership with Mengniu is strategically important to us and its also mutually beneficial to Mengniu. Such strategic partnership secures us a high-quality customer with long-term demand or raw milk guaranteeing our sales volume as well as cashflow. Pursuant to the Off-Take Agreement, Mengniu is required to procure 70% of our raw milk produced from us at a negotiated price. Mengniu procured 85% of our raw milk on average from 2018 to 2020, well exceeding the minimum level of 70%. Currently, our raw milk accounts for approximately 25% of Mengniu's daily raw milk intake.

In addition to guaranteeing raw milk sales, the strategic partnership with Mengniu is also beneficial to us in other operating areas, including procurement, financing, quality control and downstream branded products. On procurement, we leverage Mengniu's procurement platform and its relationship with COFCO, enabling us to procure at lower cost and improve cost efficiency. On financing, Mengniu has continued to provide us with financing support, including RMB1 billion entrusted loan and RMB300 million revolving credit facility. Additionally, we received support from Mengniu in the form of comfort letter when we negotiated with banks on USD loan financing amounting to USD 500 million. This has allowed us to obtain more favourable terms with banks. As Mengniu's key raw milk supplier, we have been working closely with Mengniu to unify quality control standards. Duplicative quality control procedures have been removed, further improving operating efficiency. We explored leveraging our high quality raw milk to expand into downstream and premium branded milk segment, however, it was unprofitable due to lack of scale. As such, we decided to sell 50% equity interest and operating rights of our branded milk business to Mengniu. Our strategic relationship with Mengniu allowed us to leverage Mengniu's operating capabilities, including sales and distribution, manufacturing that are located in close proximity to our farms, and other operating expertise to further grow our branded milk products while maintaining a sizeable equity interest in the business.

As a leader in dairy farming sector, one of our focuses on operation strategy is to increase the herd size, thereby increasing the yields and attaining a steady growth in output. We are the most important raw milk supplier to Mengniu and have been leading Mengniu's consolidation efforts in raw milk supply. Through the Fuyuan Acquisition and the Zhongyuan Acquisition, we are able to increase the herd size, thereby increasing the yields and attaining a steady growth in output.

Fuyuan and its subsidiaries are principally engaged in forage cultivation, dairy farming and feed processing and sales in the PRC. Fuyuan currently operates a total of 15 dairy farms with approximately 60,000 dairy cows in China. For year 2020, total milk production of Fuyuan was approximately 393,000 tons. Fuyuan recorded a revenue of RMB2,180 million in 2020.

Zhongyuan and its subsidiaries are principally engaged in cow breeding, farms management and operation, milk production and sale in the PRC. Zhongyuan currently operates a modern ecological farm located with more than 17,000 dairy cows in China. For year 2020, total milk production of Zhongyuan was approximately 125,000 tons. Zhongyuan recorded a revenue of RMB776 million in 2020.

The Fuyuan Acquisition and Zhongyuan Acquisition will help upgrade and increase the scale of our upstream dairy farming business. Meanwhile, applying our integrated production model with SGS certification and digitalised farm management system to the acquired 16 dairy farms of Fuyuan and Zhongyuan will further guarantee the quality of raw milk. Following the Fuyuan Acquisition and Zhongyuan Acquisition, the number of dairy farms owned by us will be increased from 26 to 42, farm network covering up to 9 provinces and autonomous regions in China, the dairy cows owned by us will be increased from approximately 247,000 to approximately 325,000, which could further strengthen its position in the dairy farming industry in China and enhance the Group's competitiveness in terms of quality and pricing of the raw milk.

By acquiring more farms and expanding the geographical scope of supply in the PRC, the Fuyuan Acquisition and Zhongyuan Acquisition also render the logistics for delivery of raw milk more efficient and provides us with greater flexibility in allocating dairy farm resources to cater the needs for raw milk of the downstream customers.

The Fuyuan Acquisition and Zhongyuan Acquisition will enable us to build on and strengthen its operation through expansion into and entering into the feeds supply industry. Fuyuan started supplying feedstuffs to us in 2017 under a framework supply agreement which was renewed in December 2019. Stable feed supply and steady growth in feed size is essential to our production of high quality raw milk. Additionally, we expect to benefit from economies of scale and our enlarged scale is expected to increase our bargaining power with our suppliers.

Upon completion of the Fuyuan Acquisition and Zhongyuan Acquisition, the completion of which are subject to conditions precedent, would have further enable vertical and horizontal integrations, with their operations spanning components of the value chain and geographic locations important to the long term development of our Company.

Strong track record in delivering operating efficiency improvement

We believe our prudent expansion strategy has allowed us to deliver steady improvement in operating efficiency and profitability. From 2018 to 2020, our total herd size has increased from 231,530 to 247,371 as of period ending 31 December. While we continue to expand herd size steadily, we continue to maintain a relatively high ratio of milkable cows to total herd size to maintain stable cash flow. The ratio of our milkable cow to total herd size as of 31 December 2020 is 55%, in line with historical averages. Through our continuous efforts in optimising our feed mix, investment into breeding and feeding technique to further improve genetic mix, as well as investment into their dairy cows' living environment, we have successfully increased milk yield consecutively for 10 years. For the period ending 31 December 2010, average annualised unit yield of each milkable cow was 7.3 tons and the metric improved to 11.1 tons by 31 December 2020. The successful execution of our cost reduction plan and investments as outlined above have also led to a significant drop in cash cost per kg of raw milk from RMB3.30 per kg in 2013 to RMB2.29 in 2020.

Our continuous increase in milk yield coupled with decrease in production costs, this has translated to a record high of profitability per milkable cow. In 2020, annual cash gross profit per lactating cow was RMB20,500, even higher than 2014 when raw milk price in China reached all-time high.

Eco-friendly production supports sustainable development

As a leader in China's dairy farming market, we are committed to taking social responsibilities in promoting environmental conservation and achieving sustainable development, which we take actions to integrate into our business in all aspects. In order to cater to all-round demands from stakeholders including shareholders, investors, creditors, cooperation partners, employees and communities, we strive to carry out ESG Policies to accelerate sound growth of all business segments.

Based on resource recycling, the Group has built a green recycling industrial chain of "forage planting – cow breeding – fertiliser treatment – biogas power generation – fertiliser back to the field". Each farm is equipped with large-scale biogas power generation facilities and comprehensive utilisation facilities for biogas fertiliser, 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.

Additionally, as the largest raw milk supplier to Mengniu, our ESG goals are also aligned with Mengniu's. We persistently improved our energy and resource-saving management system with resources consumption control guidelines formulated to enhance our energy-saving and emission reduction efforts, while constantly upgrading our production equipment, standardizing the operation process of equipment and facilities, with the aim of reducing the consumption of water, electricity, coal, diesel and other resources. In 2020, through measures as optimisation and upgrading of equipment, we achieved remarkable resource-saving and energy consumption effectiveness. In 2020, 112.76 million cubic meters biogas had been used in power generation and biogas boilers for heating coils in the fermentation tank, heating the milking parlor and milk processing. We produced a total of 5,690,600 cubic meters of manure fertiliser and 1,929,000 tons of solid manure.

Diversified funding channels with strong track record in deleveraging

We consider cash flow management top priority in managing our operations. We have implemented various policy to strengthen cash flow profile and reduce debt. Our total interest bearing borrowing dropped from RMB7,148 million as of 31 December 2018, to RMB6,590 million as of 31 December 2019, and to RMB5,642 million as of 31 December 2020. Our net borrowing dropped from RMB6,384 million as of 31 December 2018, to RMB5,549 million as of 31 December 2019, and to RMB4,291 million as of 31 December 2020. Our cash balance increased from RMB764 million as of 31 December 2018, to RMB1,041 million as of 31 December 2019, and to RMB1,352 million as of 31 December 2020. Our interest expense incurred from interest bearing borrowing decreased from RMB335 million for the 12 months ending 31 December 2018, to RMB327 million for the 12 months ending 31 December 2019, and RMB266 million for the 12 months ending 31 December 2020. Our total interest bearing borrowing to total capitalisation ratio (defined as total interest bearing borrowing and total equity) dropped from 52.2% as of 31 December 2018, to 47.8% as of 31 December 2019, and 41.2% as of 31 December 2020.

Through listing of our shares on the Hong Kong Stock Exchange since 2010, we have successfully penetrated the equity capital market. We also have long-standing relationships with major PRC and international financial institutions. As at 31 December 2020, our available and unutilised credit facilities were approximately RMB4.6 billion. Including a credit facility of RMB1.3 billion from Inner Mongolia Mengniu which is currently unutilised and the rest of the RMB3.3 billion credit facilities from licensed banks. We believe our multiple financing channels will provide us with flexibility to fund our operations and enhance our liquidity position.

Experienced management team and sound corporate governance

We have a highly experienced management team that has led us to become the largest dairy farming company in terms of herd size and raw milk output in China since our establishment in 2005. Our management team comprises former members of Mengniu's management and dairy farming experts. Mr. Sun Yugang, our executive director and acting chief executive officer, has extensive experience in financial management and corporate development and was a manager of the finance and investment department of Inner Mongolia Mengniu Milk Industry (Group) Co., Ltd. prior to joining our Group. Mr. Zhu Xiaohui, our non-executive director, has over 29 years of experience in corporate management, in particular the management of large-scale enterprises and has extensive experience in the dairy farming industry. Our chief financial officer, Mr. Su Jiangong, has extensive experience in the areas of financial management and accounting work and before joining our Group, he served in Inner Mongolia Mengniu Dairy (Group) Company Limited as the head of performance appraisal and financial accounting department. Mengniu's senior executives including Mr. Lu Minfang, our chairman, who is also Chief Executive Officer of Mengniu, and Mr. Zhang Ping, who is also Chief Financial Officer of Mengniu, sit on our Board as non-Executive Directors.

We also have highly experienced personnel who bring their knowledge and expertise to our farm operations on the ground. Our nutrition head office comprises members with extensive experience in the field of animal nutrition. Our operating team also comprises members with extensive working experience at large-scale dairy farms. We believe our management team possesses the leadership, vision and in-depth industry knowledge required to anticipate and take advantage of market opportunities, as well as to formulate effective business strategies to create value for our shareholders.

Our management team further benefits from the experience and know-how of an extensive network of leading domestic and international dairy experts, who have entered into long-term consulting arrangements with us. Pursuant to our arrangements, our expert consultants make regular visits to our farms, evaluate the performance of our operations, offer recommendations to our management, and provide training for our managers and employees in areas such as breeding technologies, feed management, and disease control and prevention.

OUR BUSINESS STRATEGIES

We seek to become the leader in the dairy farming sector in the world with the mission to “create the world’s most advanced farms, produce the highest quality milk, and achieve harmonious development of people and nature world” through implementation of the following strategies going forward:

- continuously strengthening the strategic co-operation with Mengniu through strategically and steadily expanding our herd size to maintain market leadership, continuous collaboration in high-end segment and joint procurement efforts together with Mengniu and COFCO.
- focus on integrating the management and operation of the recently acquired companies into the Group’s operation to promote synergies, including in employees and dairy farm management.
- focus on improving milk yield through breed, feed formula and cow welfare improvement.
- focus on boosting operation efficiency through scientific management practices, production yield and energy-efficient eco-farming.
- explore new revenue streams, including sale of cows and entry into feed supply market.

RECENT DEVELOPMENT

Acquisition of Fuyuan

On 22 March 2021, we as purchaser entered into a sale and purchase agreement (“**Fuyuan Acquisition Agreement**”) with, among others, certain sellers (the “**Sellers**”) and Fuyuan to acquire the entire equity interests in Fuyuan (both direct and indirect and excluding its entire interests in Burra Group) at an initial consideration of RMB3.48 billion (subject to adjustment pursuant to the terms and conditions of the Fuyuan Acquisition Agreement), of which approximately 56.65% of the consideration will be satisfied in cash (to be funded by a combination of internal resources of our Group and external financing) and 43.35% will be satisfied by allotment and issue of 807,096,101 of our shares to a holding vehicle controlled by Mengniu at the issue price of HK\$2.24 per share on completion. As at the date of this Offering Circular, Fuyuan is indirectly held as to approximately 43.35% by Mengniu through Inner Mongolia Mengniu as its single largest shareholder.

Subject to conditions precedent, including the Burra Group Disposition, regulatory approvals, and the shareholders’ approval of our independent shareholders (which has been satisfied as at the date of this Offering Circular) the Fuyuan Acquisition is expected to be completed in the fourth quarter of 2021. Upon completion of the Fuyuan Acquisition, Fuyuan will be ultimately controlled by us and its financial results will be consolidated into the financial statements of our Group.

Acquisition of Zhongyuan

On 8 April 2021, Modern Farming, our non-wholly owned subsidiary, as purchaser entered into a sale and purchase agreement (“**Zhongyuan Acquisition Agreement**”) with, among others, Asia Dairy Fab Ltd.* (中博農畜牧科技股份有限公司) as seller to acquire the entire equity interest in Zhongyuan. Pursuant to the Zhongyuan Acquisition Agreement, the seller has conditionally agreed to sell and the purchaser has agreed to acquire 100% equity interests in Zhongyuan at a consideration of no more than RMB815.2 million (subject to adjustment pursuant to the terms and conditions of the Zhongyuan Acquisition Agreement), which shall be satisfied by cash funded by a combination of internal resources of our Group and external financing. Upon completion of the acquisition, Zhongyuan will become a non-wholly owned subsidiary of us and its financial results will be consolidated into the financial statements of our Group.

Changes of directors and composition of board committees

The below resignations and appointment took effect on 1 July 2021:

(i) Ms. GAO Lina resigned as an executive Director and ceased to be the chairman of the strategy and development committee of the Board; (ii) Mr. WOLHARDT Julian Juul resigned as an independent non-executive Director and ceased to be a member of each of the audit committee, the nomination committee and the remuneration committee of the Board; (iii) Mr. ZHAO Jiejun, a non-executive Director, was appointed as the chairman of the strategy and development committee; (iv) Mr. SUN Yugang, an executive Director, was appointed as a member of the strategy and development committee; (v) Mr. ZHU Xiaohui was appointed as a non-executive Director; and (vi) Mr. CHOW Ming Sang was appointed as an independent non-executive Director and a member of each of the audit committee, the nomination committee and the remuneration committee of the Board.

Changes of authorised representative

With effect from 1 July 2021, (1) Ms. GAO Lina ceased to be an authorised representative of the Company; and (2) Mr. SUN Yugang, an executive Director, was appointed as an authorised representative of the Company.

Changes of executive functions

With effect from 1 July 2021, (i) Ms. GAO Lina ceased to be the chief executive officer and vice chairman of the Company; (ii) Mr. ZHAO Jiejun, a non-executive Director, was appointed as the vice chairman of the Company; and (iii) Mr. SUN Yugang, an executive Director, was appointed as the acting chief executive officer of the Company.

OUR BUSINESS MODEL

Raw Milk Business

We mainly engaged in the dairy farming (primarily the production and sales of raw milk to clients for processing into dairy products) and also profit sharing initiatives by the associated company established for the business of our self-branded liquid milk products with Mengniu. We have all along focused on the upstream dairy farming business, and are devoted to producing high quality raw milk products for consumers. The table below sets forth our revenue generated from sales, cost of sales and tons sold of raw milk for the periods indicated:

	For the year ended 31 December								
	2018			2019			2020		
	Cost of sales before raw milk fair value		Sales Volume	Cost of sales before raw milk fair value		Sales Volume	Cost of sales before raw milk fair value		Sales Volume
	Revenue adjustments	(RMB '000)		(RMB '000)	adjustments		(RMB '000)	(RMB '000)	
Raw Milk	4,832,729	3,312,151	1,251,332	5,514,210	3,412,330	1,365,739	6,020,247	3,561,559	1,456,962

The key components of our business model are as set out below:

Establishing free-stall farm

As at 31 December 2020, our Group operated a total of 26 dairy farms with 247,371 dairy cows in China.

Feeding

We place great emphasis on our feed management as milk quality is highly dependent on the quality and nutritional content of the feed mixture. We design and prepare different feed mixture formulas at each farm in different quantities for dairy cows at different stages of the life cycle in order to provide a balanced diet containing suitable nutrients. We follow guidelines and rules which were formulated over time and utilise software to optimise feed ingredients to maintain high standards.

Breeding

We use semen from high-quality Holstein bulls to improve the genes of future generations and to further increase milk yield. Once female calves are born, we raise them for approximately 14 months until they reach a suitable age for insemination. After the dairy cows have given birth, they undergo a resting period of approximately 60 days before being artificially inseminated again.

Culling

We have adopted culling as part of our herd management practices to maintain the high milk quality and milk yield of our herd. After the calves are born, they are examined by our breeding and veterinary specialists. Unfit calves or calves which do not meet our requirements are culled and either handled according to our disease control protocols or sold. We generally raise our high-quality young female calves as replacements for our mature milkable cows. Our veterinary and breeding specialists monitor the health conditions of our dairy cows and the quality of raw milk produced by milkable cows from time to time. The mature milkable cows will be culled and sold when they get older. Our culling program complements our controlled breeding efforts to continuously enhance the genetic quality, reproductive fitness, and production yields of our cow herd over time.

Milking

We carry out the extraction of raw milk in an automated and sanitary environment to ensure milk quality and safety. Our raw milk is cooled immediately after it is milked from dairy cows and flows through a series of pipes to our central milk tank, which is temperature controlled and kept at 4 degrees Celsius, before being pumped into thermo-insulated milk trucks for delivery to our customers.

Delivery

All of our farms are strategically located within close proximity to downstream processors, which enables us to capture local market demand and deliver our raw milk in a timely manner. We deliver our cooled raw milk directly to our customer using thermo-insulated milk trucks on a daily basis.

Waste management

Each of our farms produces approximately 700 tons of cow waste per day on average, all of which are collected and processed through our centralised power generation system at each farm to convert into biogas, which is in turn used to generate electricity. We then recycle the remaining waste through our recycling systems for conversion into fertilisers. The fertilisers we produce are primarily used either on our own feed planting fields or provided to local farmers who supply feed to us, mostly free of charge. This enables us not only to achieve a higher quality of our feed but also to reduce our costs of operation. Each of our farms is equipped with cow waste treatment facilities, which are sufficient to process all the cow waste produced at each farm. The fertilisers are predominately delivered to local farmers by us, although some of our farms also engage third party logistics providers for the delivery of fertilisers.

Downstream associate factories partnership with Mengniu

Benefiting from the reform in marketing models, the branded milk business through the operation of downstream associate factories with Mengniu continued to record profits. Leveraging on Mengniu’s mature market strategy and channel advantages, the “Modern Farming” branded milk was relaunched on the market with the positioning of “15 years of persistence in exclusively producing pasture milk”. Relying on Mengniu’s successful marketing strategy, rebranding of “Modern Farming”, and adopting differentiated market strategies, it focuses on the blue ocean market in domestic third-and fourth-tier cities. The associate factories are expected to keep contributing to the our Group’s financial performance.

Liquid Milk Products

We set out below details of our key self-branded liquid milk products which are sold through the associated company established with Mengniu:

Key products branded under the brand name of “Modern Farming”	Description
Pure Milk with Gold Award	The pure milk is awarded gold prize at Monde Selection for eight consecutive years, produced by self-owned farms with high-quality milk sources.
High Calcium Milk	High in calcium from good dairy farms, Modern Dairy High Calcium Milk contain 125mg of calcium per 100ml. Vitamin D is specially added to facilitate calcium absorption. The milk is nutritious, pure and rich in taste.
Walnut Milk	Made of finely-selected walnuts and fresh quality raw milk, the mixed walnut milk leave the consumers a rich aftertaste.
Skimmed Milk	Zero fat, light with nutrimental value, zero lactose, easy to absorb. Getting nutrition, being healthy, feeling the sweetness, and stay fresh.

OUR CUSTOMERS

Our customers mainly include dairy manufacturers and dairy farms. We sell premium raw milk to large-scale dairy manufacturers in China, including Mengniu Group. The turnover attributable to our Group’s primary customers, Mengniu Group, accounted for approximately 82.0% of our Group’s total turnover for the year ended 31 December 2020. Our five largest customers contributed in aggregate 96.8% of our Group’s total turnover for the year ended 31 December 2020.

OUR RELATIONSHIP WITH MENGNIU

The dairy industry has a long value chain and the required strengths and competence for upstream and downstream participants are distinct and different – technical excellence in dairy farming is required for upstream suppliers whereas competence in branding and sales channel management is required for downstream market players. Mengniu is currently our largest shareholder, which is a lead dairy product manufacturer in China. As at 11 May 2021, Mengniu held 51.40% equity interests in the Company. We have established comprehensive strategic partnership with Mengniu, our controlling shareholder and major customer. The strategic partnership with Mengniu brings numerous benefits to us, including guaranteed raw milk sale via Off-Take Agreement, and sharing of internal resources strengthens our synergies with Mengniu in terms of sales (via the strengthening of the strategic partnership with Mengniu and the securing of the volume of raw milk purchased by Mengniu from us through the Off-Take Agreement), cost control (via the enhancement of market confidence and our bargaining power with third party feed suppliers) and resources utilisation (by Mengniu sharing and exchanging experience in aspects such as personnel training, information empowerment and smart farm management). To date, as the largest raw milk supplier to Mengniu, we have been assisting Mengniu to consolidate its raw milk supply platforms and our contribution to Mengniu’s raw milk supply is expected to further increase post acquisition of Fuyuan and Zhongyuan. We are the largest raw milk supplier to Mengniu, and the contribution is expected to further increase post acquisition of Fuyuan and Zhongyuan.

We entered into the Off-Take Agreement with, a non-wholly owned subsidiary of Mengniu, Inner Mongolia Mengniu, commencing from 24 October 2008 following arm’s length negotiations, pursuant to which we supply raw milk to Inner Mongolia Mengniu for a term of 10 years commencing on 24 October 2008 and was automatically extended for another 10 years on 24 October 2018 to 23 October 2028. The Off-Take Agreement also provides us with the flexibility to sell up to 30% of our raw milk produced daily at each dairy farm to any third parties 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.

We derived revenues of RMB4,222.1 million, RMB4,702.2 million and RMB4,939.2 million from sales of raw milk to Mengniu Group in 2018, 2019 and 2020, respectively, accounting for approximately 89.5%, 85.3% and 82.0%, of our Group’s total revenue of our sales of raw milk produced during the same periods. We expect that raw milk sales to Mengniu Group will continue to represent a significant portion of our annual sales of raw milk produced for the foreseeable future.

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.

OUR RELATIONSHIP WITH NEW HOPE

Our strategic shareholder, New Hope, is our second largest shareholder as well as our second largest customer for the sale of our raw milk. New Hope is a leading regional dairy products (mainly refrigerated dairy products) supplier. New Hope mainly engages in the R&D, manufactory, and sales of dairy products and milk beverages. New Hope has built an integrated urban dairy group with the "Fresh Strategy", on its core value and based its business in the Southwestern China and is well developed in East, Central and North of China.

In 2019, New Hope acquired an aggregate of 594,925,763 shares of the Company at a price of HK\$1.3535 (equivalent to approximately RMB1.1920) per share through subscription of 276,228,409 new shares and purchase of 318,697,354 existing shares. The total consideration of such acquisition was close to US\$100 million. Immediately upon the completion of the above transactions, New Hope acquired a total of 9.28% equity interests in the Company. As at 11 May 2021, New Hope holds 8.94% of equity interests in the Company.

We entered into a long term supply agreement with New Hope in 2019 for a term of 10 years commencing from 2020 until 2029, pursuant to which we sell approximately 10% of our total sales volume of raw milk to New Hope.

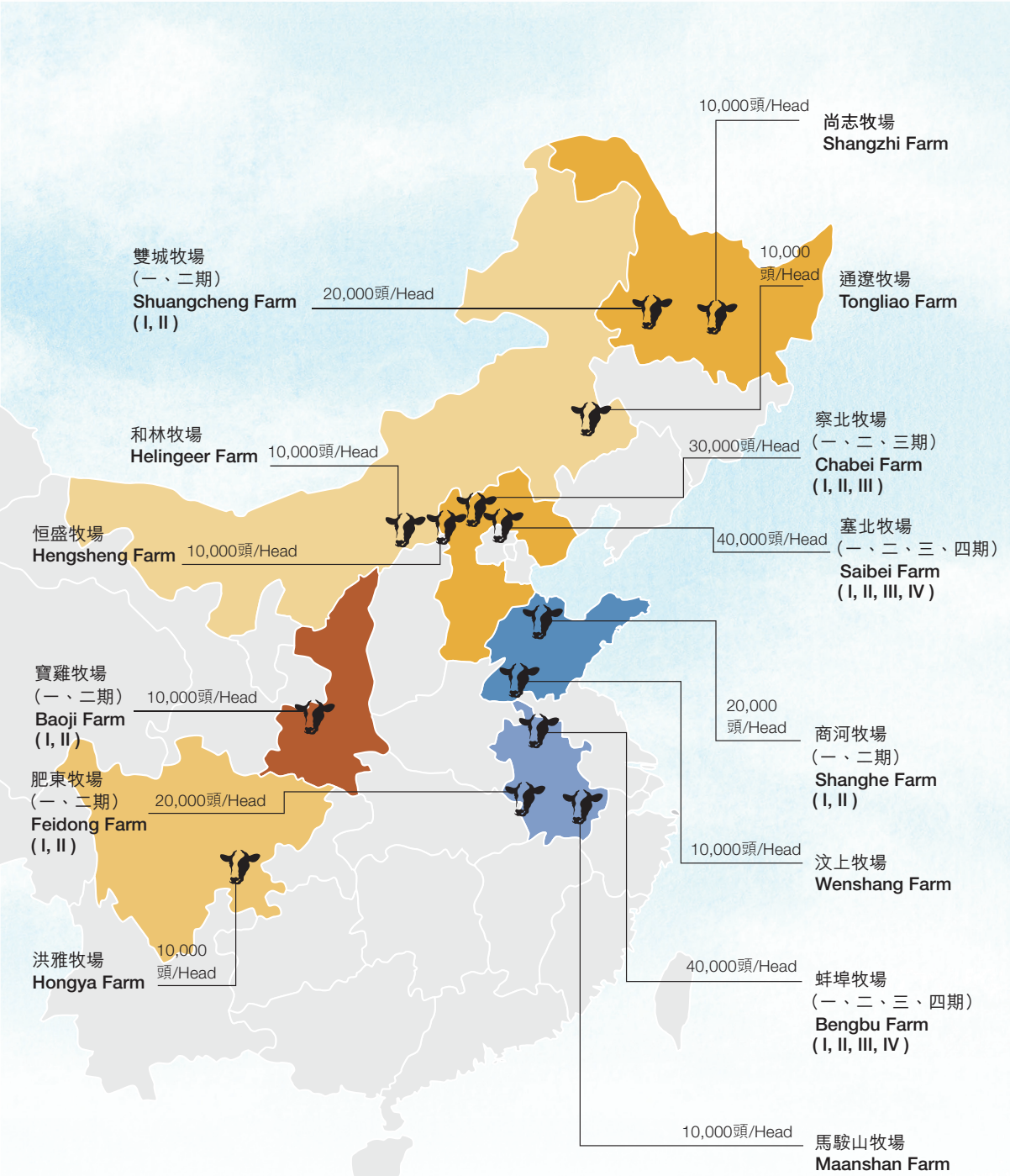
We derived revenues of RMB629.1 million, from sales of raw milk to New Hope in 2020, accounting for approximately 10.4%, of our Group's total revenue from sales of raw milk produced during the same period. We expect that raw milk sales to New Hope will continue to represent a significant portion of our annual sales of raw milk produced for the foreseeable future.

OUR DAIRY FARM

As at 31 December 2020, we operated a total of 26 dairy farms (herd size of each close to or over 10,000 dairy cows) with contracted forage planting land amounting to 1.07 million mu and 247,371 dairy cows spreading across seven provinces in mainland China. AMY amounted to approximately 1.49 million tons. During the year ended 31 December 2020, we recorded AMY of 11.1 tons per milkable cow. Leveraging on the world's first model of "integration of forage planting, cow breeding and milk processing", we are one of the leading dairy farming companies in the world in terms of the herd scale. As a nationwide farm, we are endowed with unique geographical advantages that most of our farms are located in regions with fine climate and ample supply of feed, in the proximity of processing plants of dairy products.

The location of each of our production bases as at 31 December 2020 are as indicated below:

FARM MAP
牧場位置圖



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

INTELLIGENT HERD MANAGEMENT

We adopt the means of lean management in managing herd, values scientific breeding and precise formula. With the innovation of a comprehensive herd management system, we overcome the “information isolation” of farms, establishes an efficient information collection system and improves the system integration of cows from individual, breeding, feeding, health to milk-producing module. All barns of farms are covered of wireless updated communication, the information of herd can be inquired and updated 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 (i.e. low frequency ear tags), which record and analyze milk yield of cows automatically, to identify and alert diseases among cows in advance. The comprehensive utilisation of advanced data analysis systems enables us to achieve scientific decision-making, improves the level of production management, and achieves sustainable consolidated profitability. Regarding “high standard, high positioning and high starting point” as the principle, we achieve the objectives of “increase unit production output, reduce operation cost, optimise herd structure” in herd breeding.

MILK PRODUCTION MANAGEMENT

Our Company initiated the production model of “Zero-distance Integration of Forage Grass Planting, Cows Breeding and Milk Processing within Two Hours”, which is the first and the only enterprise at present in the PRC that applies integrated production model with SGS certification. The farm layout under the model of “integration of forage planning, cow breeding and milk processing” ensures that transportation costs are minimised within the farm. The milk production process is as follows:

- *Testing* – to ensure the quality and safety of raw milk, we discard the first three squeezes of raw milk from the dairy cows. Our dairy workers also check the health condition of the dairy cows’ udders at this stage, which includes checking the appearance of udders or if there are any lumps in the first three squeezes of raw milk. Upon observation of any signs of mastitis, the dairy cow will be immediately quarantined and checked by our veterinarian.
- *Pre-milking sterilisation* – before milking, the udders and teats of dairy cows are sprayed with sanitizing fluid. We also clean and sterilise the teat cups before milking.
- *Cleaning* – the udders and teats of dairy cows are wiped dry within 30 seconds after sterilisation.
- *Milking* – to commence the milking process, the dairy workers will attach the teat cups, which are connected directly to a central milk tank, to our dairy cows’ udders promptly after finishing the above procedures to minimise the risk of infection.
- *Cooling* – the raw milk produced from dairy cows is immediately cooled to around 4 degrees Celsius.
- *Central collection* – we pipe all cooled milk directly to our central milk tank after cooling and the milk is stored at around 4 degrees Celsius.

- *Delivery* – we directly pipe the raw milk from our central milk tank to the thermo-insulated milk trucks and delivery is made to our customer on the same day milking takes place.

OUR QUALITY CONTROL

Our products have been awarded the Gold Prize of Monde Selection which is generally regarded as the “Nobel Prize” in the food industry, for the past eight consecutive years. We are the first and only company in China that passed the “Quality Milk Project” for both its pasteurised milk and UHT milk. During the year ended 31 December 2020, the pure milk of our Group was awarded the Gold Prize for the seventh time in consecutive years in the Monde Selection 2020. Another product of our Group, the high-calcium milk, has won the gold award for the first time.

Quality Control Overview

- The overall execution of the quality management of us is based on the principle of “Four Don’ts”: do not cooperate with unqualified client, do not stock unqualified raw feed materials, do not feed unqualified inventory of raw feed materials, do not release raw milk from farms that fail inspection.
- For the quality control of raw feed materials, we ensure the source control by inspecting suppliers on-site and establishing a database of suppliers; ensure feed arrival control by having a stricter standard of testing than that of the national standard; ensure the process control by sampling the inventory of raw feed materials and controlling indicators on daily basis; ensure that the feed 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, we establish 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, there are various quality inspections 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 from the raw feed materials arrival and delivery for feeding, milking on the milking parlor to raw milk delivery. The safe and high quality milk of us is ensured by source control, process monitoring and terminal control.

Quality Control of Raw Milk

We have always promoted quality management and creative culture, making continuous breakthroughs in operation, management and farm planning, and has been widely recognised by the industry.

We ensured the quality management and control were scientifically controllable and adhered to the principle of high starting point, high positioning and high standard, keeping consumers to be informed with quantitative data of milk. We produced our own dairy products using our own raw milk. Every procedure in the production of raw milk e.g. milking, refrigeration and transportation was completed with monitoring measures and the strictest standard in the world adopted, the quality of raw milk was therefore guaranteed.

The standard of us is stringent than those of the PRC and European Union. The standard of the number of somatic cell per 1 milliliter (ml) of raw milk is no more than 600 thousand cells according to the PRC relevant guidelines, 400 thousand cells per 1 ml in the European Union, and less than 150 thousand cells per 1 ml in our raw milk.

With respect to the number of microorganism, the standard of the European Union is no more than 100 thousand colony-forming unit (cfu) per 1 ml of raw milk, and that of the PRC is no more than 2 million cfu per 1 ml, and that of ours is less than 10 thousand cfu per 1 ml of raw milk.

AWARDS AND RECOGNITIONS

Since our establishment, our products have obtained numbers of domestic and international certifications and awards, including the Gold Prize for the eighth time in consecutive years in the Monde Selection 2021 which is generally regarded as the “Nobel Prize” in the food industry.

We set out below the awards of our products obtained in the last decade:

<u>Year</u>	<u>Awards and Recognitions</u>
2011.....	Since 2011, we have been continuously rated as “National Key Leading Enterprise for Agricultural Industrialization”
2014.....	Second Class Prize of the State Science and Technology Progress Award
2016.....	The first and only company in China that passed the “Quality Milk Work” for both its pasteurised milk and UHT milk.
2017.....	The first and the only enterprise at present in the PRC that applies “Integration of Panting, Breeding and Processing” model with Swiss SGS certification. Granted China Seven-Star Award – “Leading Health Trend Award”, and Jin Gang Gu “the Most Socially Responsible Public Company” Award
2019.....	Modern Dairy has been shortlisted as the “Strategic Partner of China’s Aerospace Industry”, symbolizing that our premium quality branded milk is widely recognised by all sectors of the society.

EMPLOYEES

As at 31 December 2020, we had approximately 4,455 employees in mainland China and Hong Kong. Total staff costs during the year ended 31 December 2020 (excluding equity settled share award expense) were approximately RMB585.6 million.

We value 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. We also offer remuneration at competitive rates with the aim of retaining quality personnel.

We enter into individual employment contracts with our employees covering matters such as wages, employee benefits, training programmes, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets and grounds for termination.

REGULATORY COMPLIANCE

We have obtained all relevant and valid approvals, permits, licences and certificates for our operations and have complied in all material respects with the laws and regulations applicable to our business and operations.

Environmental Matters

We are subject to applicable environmental laws and regulations in the PRC and other relevant jurisdictions relating to, among other matters, air, water, waste, noise and pollution; the generation, storage, handling, use and transportation of hazardous materials; and the health and safety of our employees. Our major emissions included greenhouse gas from the use of various energy resources, gas emissions such as NO_x, SO₂ and soot from burning of coal and hazardous waste such as medical waste and chemical reagent of the farm. For the biogas slurry, biogas and biogas residue from cow farming, we actively responded to the national call for green development, carefully dealt with the impact of greenhouse gas emissions on the environment, and use them as resources with high recycling value and required full utilisation of such resources.

To promote environmental protection emissions, we actively implemented a special treatment initiative for solid waste in 2020, completed the upgrading of the desulfurisation of the boiler exhaust system on a need-to-know basis, and replaced all coal-fired boilers at Shangzhi Farm, while at the same time engaged environmental impact assessment agencies to test the security and environment data to achieve prevention and control both inside and outside. In addition, the environmental management system of Modern Farming (Wenshang) Co., Ltd.* (現代牧業(汶上)有限公司) has also passed the QES system certification in March 2020, during the overall certification process, not only strengthened the systematic identification of security and environment-related hazards source in the farm, but also defined its future approach of carrying out environmental protection-related work through the external audit of the system.

The table below sets out our pollutant management and certain specific measures for emission reduction:

<u>Types of pollutant</u>	<u>Specific measures for emission reduction</u>
Reduction of greenhouse gas emission	<ul style="list-style-type: none"> • Use biomass energy instead of old energy with low heat and high greenhouse gas emission. • Proactively carry out green construction to mitigate greenhouse gas emissions during operation.
Reduction of exhaust emission . . .	<ul style="list-style-type: none"> • Discharge exhaust gas from units such as cowsheds, biogas stations and heating boilers after treatment and meeting the emission standard; as well as actively promote resource utilisation efficiency and reduce emissions; meanwhile, shut down coal-fired boilers gradually and replace it with cleaner and more efficient gas-fired boilers and improve the utilisation level of biogas gradually.
Reduction of discharge of non-hazardous waste	<ul style="list-style-type: none"> • Fill the roads or potholes of the farms with Coal-fired boiler; recycle all wastewater internally to reduce discharge; use domestic sewage after treatment by the reclaimed water station for washing cowshed, irrigation and cooling, etc.; cowshed water flows into the dung channel to dilute the biogas slurry and be fermented with the biogas slurry.
Reduction of discharge of hazardous waste	<ul style="list-style-type: none"> • Specify storage standards for medical wastes and reagent bottles used for test, prepare waste report and submit to the environmental protection department for record and deliver hazardous wastes to qualified treatment units for centralised treatment. • Formulate and implement the “Waste Oil Recycling Management System” and deliver waste oil to companies qualified for recycling for proper treatment. • Dispose cows dying from disease and sick cows strictly in accordance with the “Measures for Treatment of Dead Animals due to Disease and for Unknown Reasons of the People’s Republic of China” and the “Technical Specification for Harmless Treatment of Dead Animals due to Disease and Sick Animals” of Ministry of Agriculture and according to the standard treatment process and corresponding method to prevent damage to the environment and malicious use.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, we were not involved in any litigation or arbitration proceedings which may have a material and adverse effect on our business, financial condition and results of operations, and there is no such litigation or claim known to be pending or threatened by or against us which may have a material adverse effect on our overall business, financial condition or results of operations.

DIRECTORS AND MANAGEMENT

As at the date of this Offering Circular, the board of directors of the Company comprised the following:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. SUN Yugang	41	Executive director of the Company and acting chief executive officer of the Group
Mr. LU Minfang	52	Non-executive director and chairman of the board of directors of the Company
Mr. ZHANG Ping	57	Non-executive director of the Company
Mr. ZHAO Jiejun.	44	Non-executive director of the Company
Ms. GAN Lu.	38	Non-executive director of the Company
Mr. ZHU Xiaohui	50	Non-executive director of the Company
Mr. LEE Kong Wai Conway	66	Independent non-executive director of the Company
Mr. LI Shengli	55	Independent non-executive director of the Company
Mr. CHOW Ming Sang	48	Independent non-executive director of the Company

The board of directors of the Company currently consists of 9 members. A description of the relevant business experience and present position of each of these directors are set forth below.

Mr. SUN Yugang, aged 41, is an executive director and acting chief executive officer of the Company. Mr. Sun has extensive experience in financial management and corporate development. Mr. Sun was a manager of the finance and investment department of Inner Mongolia Mengniu between May 2002 and March 2007. Mr. Sun was the chief financial officer, executive director and vice president of the Company from March 2007 to September 2016 and the non-executive director of the Company from October 2016 to March 2017. Subsequently, Mr. Sun worked for Hebei Yinong Network Technology Co., Ltd.* (河北宜農網絡科技有限公司) as a director, vice president and chief financial officer from October 2016 to August 2018 and for Jiangsu Yuguan Modern Agricultural Technology Co., Ltd.* (江蘇裕灌現代農業科技有限公司) as a vice president and chief financial officer from August 2018 to October 2019. Mr. Sun re-joined the Group in November 2019. Mr. Sun graduated from Inner Mongolia Finance and Economics College, majoring in accounting.

Mr. LU Minfang, aged 52, 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. Mengniu is the controlling shareholder of the Company. Mr. Lu is also a director of International Dairy Federation. Mr. Lu is also the chairman and a non-executive director of 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 also a director of the following subsidiaries of Yashili, namely Yashili International Ltd., Yashili International Group Limited, Newou Hong Kong International Co., Limited and Scient International Group Limited. 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, he 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). Prior to joining Mengniu Group, 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 goods 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. ZHANG Ping, aged 57, joined the Group as a non-executive director of the Company in March 2016. Mr. Zhang has over 25 years of experience in the industry of fast-moving consumer goods, specialising in the management of operation, finance and audit as well as risk control. Mr. Zhang also currently serves as the non-executive director of China Shengmu Organic Milk Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1432). Mr. Zhang is a vice president and the chief financial officer of Mengniu. Mr. Zhang holds several directorships in certain subsidiaries of Mengniu including the director of Inner Mongolia Mengniu and Inner Mongolia Mengniu Danone Dairy Co., Ltd. Mr. Zhang also takes the position of non-executive director in Yashili since 27 April 2015., He successively worked as manager of internal audit and system development, finance director at Swire Beverages Co., Ltd, general manager of its bottler manufacturing company and chief executive officer of Coca-Cola Bottler Manufacturing Holdings Limited. Mr. Zhang graduated from Beijing Information Science and Technology University with master's degree in management engineering.

Mr. ZHAO Jiejun, aged 44, joined the Group as a non-executive director of the Company in January 2019 and acted as the deputy chairman of the Company, Mr. Zhao has over 19 years of experience in the dairy industry and specialises 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. Zhao also currently serves as the non-executive director of China Shengmu Organic Milk Limited. Mr. Zhao is the vice president and the head of milk sourcing and supply chain business unit of Mengniu. Mr. Zhao has 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.

Ms. GAN Lu, aged 38, joined the Group as a non-executive director of the Company in April 2020. Ms. Gan has over twelve years of experience in the financial and investment sectors. Ms. Gan joined Beijing Hosen Capital Management, LLP (“**Hosen Capital**”) in 2018 and is currently the chief investment officer of Hosen Capital, one of the first private equity management institutions registered with the China National Development and Reform Commission pursuant to the new equity investment regulations. Ms. Gan is also the person-in-charge of the office of Hosen Capital in Hong Kong. Before joining Hosen Capital, Ms. Gan worked for the Hong Kong office of New Hope Group Co., Ltd, for four years as head of its Hong Kong office and chief investment officer of its financial division. Ms. Gan also worked for China International Capital Corporation Limited in Beijing and Hong Kong for six years as the head of the Hong Kong operations support coordination department. Ms. Gan graduated from The University of Hong Kong with a master’s degree in business administration.

Mr. ZHU Xiaohui, aged 50, joined the Group as a non-executive director of the Company in July 2021. Mr. Zhu is currently the vice president and the secretary of the board of directors of Fuyuan. Mr. Zhu joined Fuyuan in August 2014 and has served as the vice president from August 2014 to December 2018, the senior vice president from December 2018 to June 2019 and the vice president and the secretary of the board of directors since March 2020. Prior to joining Fuyuan, Mr. Zhu had spent approximately 18 years with COFCO Group and approximately 4 years with Dalian Wanda Group Inc., Ltd. Mr. Zhu has over 29 years of experience in corporate management, in particular the management of large-scale enterprises, and has extensive experience in the dairy farming industry. Mr. Zhu graduated from Guangdong University of Foreign Studies with a bachelor’s degree in international business administration and the University of International Business and Economics with a master’s degree in business administration.

Mr. LEE Kong Wai Conway, aged 66, is an independent non-executive director of the Company. Mr. Lee has over 30 years of experience in public accounting and auditing, corporate finance, merger and acquisition and initial public offerings. Mr. Lee is currently an independent non-executive director of West China Cement Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2233), Chaowei Power Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 951), GOME Retail Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 493), NVC International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2222), Yashili International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1230), GCL New Energy Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 451), WH Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 288), and Guotai Junan Securities Limited Co., Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 2611 and Shanghai Stock Exchange, stock code: 601211). Mr. Lee was the independent non-executive director of Tibet Water Resources Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 1115) until February 2020. In addition, he was an independent non-executive director of China Rundong Auto Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1365) until December 2020. 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. From September 1980 to September 2009, Mr. Lee served as a partner of Ernst & Young and held key leadership positions in his development of the firm in China.

Mr. LI Shengli, aged 55, is an independent non-executive director of the Company. Mr. Li currently also serves as an independent non-executive director of China Zhongdi Dairy Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1492). Since 2003, Mr. Li has been with China Agricultural University, working as an assistant professor and professor in multiple times. Mr. Li is currently the vice-director (Animal Nutrition) of the State Key Laboratories, director of the Sino-US Dairy Research Center of China Agricultural University, director of the Sino-Dutch Dairy Development Center, chief scientist in national dairy products industry technology system, a specialist to the China School Milk Programme and a specialist in the Cattle and Poultry Research Centre of Beijing Sanyuan Breeding Technology Co., Ltd. Mr. Li is a specialist to the Working Committee of National Dairy Herd Improvement Programme (DHI) of the Dairy Association of China and the chairman of China Institute of Animal Husbandry and Veterinary Cattle Chapter. In 2007, Mr. Li obtained a patent on Rubeili (乳倍利), a type of high-energy and high-protein supplementary feed for dairy cows. Mr. Li was awarded the second prize and a prize of the Beijing Science and Technology Award in 2000 and 2007, respectively, and was recognised by the Beijing Municipal Government as “Top 10 Scientists with Contribution to the Economic Development in Rural Villages of Beijing” in 2009. He also received the first prize for advancement in science and technology awarded by the Education Department in 2012, 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 graduated from Shihezi Agricultural College with a bachelor’s degree in animal husbandry and veterinary science in July 1987. He then obtained his doctorate degree in animal nutrition science from China Agricultural University in July 1996.

Mr. CHOW Ming Sang, aged 48, is an independent non-executive director of the Company. Mr. Chow obtained his bachelor degree in Business Administration (Accounting) from Hong Kong University of Science and Technology in 1995. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Certified Internal Auditors. Mr. Chow has over 26 years working experience in various industries in auditing, corporate governance and risk management advisory where he was the Advisory partner of Ernst & Young (China) Advisory Limited since 2007 and was responsible for managing the Risk Advisory sub-service line’s strategic growth and development in various regions of Mainland China since 2011. From 2014 to 2016, Mr. Chow became the Committee member of The Internal Controls General Standards Committee of The Ministry of Finance (PRC) (中國財政部內部控制標準委員會委員), the only Hong Kong resident and Big Four partner being appointed as a committee member. Mr. Chow is also involved in promoting innovation where he acts as start-up coach of over 20 incubators and accelerators in China and Hong Kong to assist young entrepreneurs in enhancing their business from financial and strategic development perspectives. Prior to joining the Company, Mr. Chow was the general manager of the Risk and Control Department of the Tahoe Group (a company listed on the Shenzhen Stock Exchange, stock code: 002299) from October 2018 to June 2019, overseeing the company’s risk management and corporate governance of all business sectors like residential, commercial, hotel, education, insurance, medical, estate management and ageing care. Mr. Chow is currently the managing director of Beijing Xinshi Anye Management Consulting Co., Ltd., an independent non-executive director of Teamway International Group Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1239), and an independent non-executive director of China Rundong Auto Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1365).

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificate issued in respect of the Bonds and referred to in the global certificate relating to the Bonds.

The issue of the US\$500,000,000 2.125 per cent. bonds due 2026 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the Board of Directors of China Modern Dairy Holdings Ltd. (the “**Issuer**”) passed on 2 July 2021. The Bonds are constituted by a Trust Deed (the “**Trust Deed**”) (as amended and/or supplemented from time to time) dated 14 July 2021 between the Issuer and Citicorp International Limited (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the Bondholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds are the subject of an Agency Agreement (the “**Agency Agreement**”) dated 14 July 2021 relating to the Bonds between the Issuer, the Trustee, and Citibank, N.A., London Branch as the registrar (the “**Registrar**”), as transfer agent (the “**Transfer Agent**”) and, the initial principal paying agent (the “**Principal Paying Agent**”) and any other agents named in it.

Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time)) on any weekday (except public holidays) at the principal office of the Trustee (presently at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office of the Principal Paying Agent for the time being following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent. “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds including their respective successors pursuant to the Agency Agreement. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (the “**Conditions**”) will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof (each, a “**Specified Denomination**”).

The Bonds are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by transfer and registration of title in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as otherwise required by law, the holder (as defined below) of any Bond shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and, in relation to a Bond, “**holder**” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. When the Bonds are represented by a Global Certificate, these Conditions are modified by certain provisions contained in the Global Certificate while the Bonds are represented by the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 Transfers of Bonds

- (a) **Transfer:** A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part in the Specified Denomination upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or any Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in a Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor (which shall be in a Specified Denomination). In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers and registration of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holder and at the expense of the Issuer) by the Registrar to any Bondholder upon written request and proof of holding and identity and is available at the specified office of the Registrar for inspection by any Bondholder following

prior written request and proof of holding and identity to the satisfaction of the Registrar. No transfer of title to a Bond will be valid unless and until entered in the Register. No transfer of title to a Bond will be valid unless and until entered in the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt of a duly completed and signed form and transfer and surrender of the existing Certificate(s) and provision of all other evidence required by the relevant Transfer Agent or the Registrar pursuant to Condition 2(a). Delivery of the new Certificate(s) shall be made at the specified office of the relevant Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. The form of transfer is available at the specified offices of the Transfer Agent. In this Condition 2(c), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Transfer Free of Charge:** Certificates on transfer shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the Bondholder of any taxes, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent may require), (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent (after consultation with the Issuer if so required) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 6(b) or Condition 6(d), (iii) after a Put Event Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), (iv) after any such Bond has been called for redemption, or (v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

- (e) **Regulations:** All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any change proposed by the Issuer) of the Registrar. A copy of the current regulations will be made available at the specified office of the Registrar for inspection by any Bondholder following prior written request and proof of holding and identity to the satisfaction of the Registrar. No transfer of title to a Bond will be valid unless and until entered on the Register.

3 Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Covenants

- (a) **Negative Pledge and Relevant Indebtedness Covenants:** So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries (other than a Listed Subsidiary) will, create any Encumbrance or permit to exist any Encumbrance to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds either (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (b) such other security as (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
- (b) **Notification to NDRC:** The Issuer undertakes to file or cause to be filed with the National Development and Reform Commission (the "NDRC") the requisite information and documents within 10 PRC Business Days after the Issue Date (as defined below) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "Post-Issuance Filing"). The Issuer shall complete the Post-Issuance Filing and comply with all applicable PRC laws and regulations in relation to the Post-Issuance Filing.

- (c) **Notification of Completion of the Post-Issuance Filing:** The Issuer shall within ten Registration Business Days after the later of submission of the Post-Issuance Filing, provide the Trustee with (i) a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming (A) the completion of the Post-Issuance Filing and (B) no Change of Control Triggering Event, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing the Post-Issuance Filing (if any) each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original; and (iii) an English translation of each confirmation, certificate or other document as is referred to in (ii) above of this Condition 4(c) translated by a professional translation service provider (and the Trustee may rely conclusively without liability to any Bondholder or any other person on any such translation) (the items specified in (i), (ii) and (iii) together, the “**Registration Documents**”). In addition, the Issuer shall, within five Registration Business Days after the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Post-Issuance Filing.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation to monitor or ensure the Post-Issuance Filing is made as required by Condition 4(c) or to assist with the Post-Issuance Filing or to verify the accuracy, validity and/or genuineness of any Registration Documents, or to translate or procure any translation into English of any Registration Document, or to give notice to the Bondholders confirming the completion of the Post-Issuance Filing, and shall not be liable to Bondholders or any other person for not doing so.

(d) **Ratings**

For so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders, the Issuer will maintain a rating on the Bonds by at least one Rating Agency.

In these Conditions:

- (i) “**Encumbrance**” means, in relation to the Issuer, a Principal Subsidiary or any other person, any mortgage, charge, lien, pledge or other security interest over the whole or any part of the present or future undertaking, assets or revenues (including any uncalled capital) of the Issuer, that Principal Subsidiary or that person (as applicable);
- (ii) “**Listed Subsidiary**” means a Subsidiary the common shares of which are listed for trading on any recognised stock exchange;

- (iii) **“Principal Subsidiary”** means any Subsidiary of the Issuer
- (a) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
 - (b) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or
 - (c) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profits, as shown by its latest audited income statement are at least 5 per cent. of the consolidated net profits as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or
 - (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) or (c) above:

- (1) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (2) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profits or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets, revenue or net profits (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (4) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate prepared by the directors of the Issuer, that in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. The certificate must be accompanied by a report by an internationally recognised firm of accountants addressed to the directors of the Issuer as to proper extraction and basis of the figures used by the Issuer in determining the Principal Subsidiaries of the Issuer and mathematical accuracy of the calculation;

- (iv) “**Relevant Indebtedness**” means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or ordinarily traded on any stock exchange or over-the-counter or other securities market; and

- (v) a “**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.
- (vi) “**Rating Agency**” means (i) Fitch Ratings, Inc. and its successors; (ii) S&P Global Ratings and its successors; (iii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors or (iv) any other reputable credit rating agency of international standing; and
- (vii) “**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, PRC.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including 14 July 2021 (the “**Issue Date**”) at the rate of 2.125 per cent. per annum, payable semi-annually in arrear on 14 January and 14 July in each year (each an “**Interest Payment Date**”) in equal instalments, commencing on 14 January 2022. Each Bond will cease to bear interest from and including the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused by the Issuer. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per US\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) Final Redemption:

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 14 July 2026 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons:

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and Principal Paying Agent, at their principal amount (together with interest accrued to the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the laws or regulations of the Cayman Islands or the People’s Republic of China (the “**PRC**”), or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 July 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate in English signed by two directors who are also Authorised Signatories of the Issuer stating that the obligations referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Bondholders and an opinion addressed to and in form and substance satisfactory to the Trustee, of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment or any such change in the application or official interpretation or stating of official position (as the case may be). The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or inquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

(c) **Redemption for a Change of Control Triggering Event:**

At any time following the occurrence of a Change of Control Triggering Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. of their principal amount, together with accrued interest up to but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Change of Control Triggering Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and the Trustee in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred and shall not be responsible for or liable to Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

For the purposes of this Condition 6(c):

- (i) An "**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control of more than 50 per cent. with such specified Person;
- (ii) "**Control**" means (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the possession, directly or indirectly, of the power to nominate or designate more than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contracts or otherwise;

- (iii) A **“Change of Control”** occurs when:
- (a) China Mengniu Dairy Company Limited (**“Mengniu”**) ceases to directly or indirectly hold or own at least 35 per cent. of the issued share capital of the Issuer;
 - (b) Mengniu ceases to be the largest direct or indirect holder of the issued share capital of the Issuer; or
 - (c) any Person or Persons (other than Permitted Holders) acting together acquires Control of the Issuer; or the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control of the Issuer or the successor entity;
- (iv) **“Change of Control Triggering Event”** means (i) the occurrence of both a Change of Control and a Rating Decline, if the Bonds are rated by at least one Rating Agency or (ii) the occurrence of a Change of Control if the Bonds are not rated.
- (v) **“Permitted Holders”** means Mengniu and any of its Affiliates;
- (vi) **“Person”** includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s board of directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect subsidiaries;
- (vii) **“Investment Grade”** means a rating of **“AAA,” “AA,” “A”** or **“BBB,”** as modified by a **“+”** or **“-”** indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of **“Aaa,” “Aa,” “A”** or **“Baa,”** as modified by a **“1,” “2”** or **“3”** indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns; a rating of **“BBB-”** or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be;
- (viii) **“Rating Date”** means, in connection with a Change of Control, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Issuer or any other Person or Persons to effect a Change of Control;

- (ix) “**Ratings Decline**” means, in connection with a Change of Control, the occurrence on, or within 180 days after, the date of the Change of Control, or public notice of the occurrence of, a Change of Control or the intention by the Issuer or any other Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional 90 days after the consummation of the Change of Control) so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:
- i. in the event the Bonds (1) are on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (2) cease to be rated Investment Grade by at least one of such Rating Agencies; or
 - ii. in the event the Bonds (1) are on the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (2) cease to be rated Investment Grade by one of such Rating Agencies; or
 - iii. in the event the Bonds (1) are on the Rating Date (x) rated by one, and only one, of the three Rating Agencies and (y) rated Investment Grade by such Rating Agency, and (2) cease to be rated Investment Grade by such of such Rating Agencies;
- (x) “**Voting Rights**” means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, an any such power shall therefore be excluded for the purpose of this definition).

(d) **Redemption at the Option of the Issuer:**

The Issuer may, at its option, on giving not more than 60 nor less than 30 days’ irrevocable notice (the “**Make Whole Optional Redemption Notice**”) to the Bondholders in accordance with Condition 16, redeem all, but not some only, of the Bonds at any time prior to 14 June 2026 at their Make Whole Price as of, together with interest accrued and unpaid to, the date fixed for redemption (the “**Make Whole Option Redemption Date**”) specified in the Make Whole Optional Redemption Notice.

In addition, the Issuer may, at the Issuer’s option, on giving not more than 60 nor less than 30 days’ irrevocable notice (the “**Optional Redemption Notice**”) to the Bondholders in accordance with Condition 16, redeem all, but not some only, of the Bonds at any time from or after 14 June 2026, at a redemption price equal to 100% of the principal amount of the Bonds, together with interest accrued and unpaid to, the date fixed for redemption specified in the Optional Redemption Notice.

For the purpose of this Condition 6(d):

“Adjusted Treasury Rate” means, with respect to any Make Whole Option Redemption Date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after 14 July 2026, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding such Make Whole Optional Redemption Date;

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to 14 July 2026 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to 14 July 2026;

“Comparable Treasury Price” means, with respect to any Optional Redemption Date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Quotation Agent, the Reference Treasury Dealer Quotations for such Optional Redemption Date;

“Make Whole Price” means, with respect to a Bond at any redemption date, the amount calculated by the Quotation Agent that is the greater of (1) the present value of the principal amount of the Bonds, assuming a scheduled repayment thereof on the Make Whole Option Redemption Date plus all required remaining scheduled interest payments due on such Bond through 14 July 2026 (but excluding accrued and unpaid interest to the Make Whole Option Redemption Date), computed using a discount rate equal to the Adjusted Treasury Rate plus 25 basis points, and (2) the principal amount of such Bonds;

“Quotation Agent” means the Reference Treasury Dealer selected by the Issuer;

“Reference Treasury Dealer” means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York City, selected by the Issuer in good faith; and

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any Make Whole Option Redemption Date, the average as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Quotation Agent by such Reference Treasury Dealer at 5:00 p.m. (New York time) on the third business day preceding such Make Whole Option Redemption Date.

Any reference in these Conditions to principal and/or interest shall be deemed to include any Make Whole Price which may be payable under this Condition 6(d).

- (e) **Purchase:** the Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).
- (f) **Notice of redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6(f). If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and shall not be liable to the Holders, the Issuer or any other person for not doing so.

So long as the Bonds are represented by the Global Certificate, a right of a Holder to redeem the Bonds following the occurrence of a Change of Control Triggering Event will be effected in accordance with the rules of the relevant clearing systems.

- (g) **Cancellation:** All Certificates representing Bonds redeemed or purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or any other Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a) (ii) below.
- (ii) Interest on each Bond shall be paid, on the due date for payment, to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder. For the purpose of this Condition 7(a), a holder’s “**registered account**” means the U.S. dollar denominated account maintained by or on behalf of such holder with a bank, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the Holder of the relevant Global Certificate in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.*

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

- (c) **Payment Initiation:** Payment instructions (for value the due date, or if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or the Registrar, on the first Payment Business Day on which the relevant Transfer Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, and the Transfer Agents initially appointed by the Issuer and their respective specified offices are set out in the Agency Agreement. The Principal Paying Agent, the Registrar, and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, or any Transfer Agent and to appoint additional or other Paying Agents and/or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved by the Trustee.

Notice of any such change, termination or appointment or any change of any specified office of an Agent shall promptly be given to the Bondholders in accordance with Condition 16.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Beijing and New York City and the place in which the specified office of the Registrar and the relevant paying agent is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or the PRC, or in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or by or within the PRC up to and including the aggregate rate applicable on 7 July 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer is required to make a deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the Applicable Rate, or (ii) the Issuer is required to make any deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands in excess of the Applicable Rate, is required, in such event the Issuer shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) **Other connection:** held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his (or the beneficial owner) having some connection with the Cayman Islands or the PRC other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal, premium (if any) and/or interest shall be deemed to include any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed and the Bonds.

Neither the Trustee nor any of the Agents shall be responsible for paying any tax, duty, charges, withholding, Additional Tax Amounts, or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment.

9 Events of Default

If any of the following events (the “**Events of Default**”) occurs the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued but unpaid interest:

- (a) **Non-Payment:** there is failure to pay (i) the principal of or any premium (if any) on any of the Bonds when due or (ii) any interest on any of the Bonds within 14 days of the due date; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed which default is, in the opinion of the Trustee, incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries as defined in the Trust Deed for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within the applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due, unless payment is made within the applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that no event described in this Condition 9(c) shall constitute an Event of Default unless the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred at any time equals or exceeds (either individually or in aggregate) US\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution after final judgment by a court of competent jurisdiction or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries over a substantial part of the assets of the Issuer or the relevant Principal Subsidiaries, as the case may be, becomes enforceable pursuant to a final judgment by a court of competent jurisdiction and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such judgment is not discharged within 45 days, provided that no event described in this Condition 9(e) shall constitute an Event of Default unless the aggregate amount of the relevant assets in respect of which one or more of the events mentioned above in this Condition 9(e) have occurred at any time equals or exceeds (either individually or in aggregate) US\$25,000,000; or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(e) operates); or
- (f) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; or
- (g) **Winding-up:** an order is made by any court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee acting on an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries; or
- (h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer to lawfully to enter into, exercise their respective rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or
- (i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed; or

- (j) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (f) and (g) of this Condition 9.

10 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of the Bondholders, to consider any matters affecting their interests, including, without limitation, the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing at least 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such written resolution.

- (b) **Modification of the Trust Deed:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and the Bonds that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable in accordance with Condition 16.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement and/or the Bonds, but it need not take any such steps and/or actions and/or institute such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

Neither of the Trustee nor any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to monitor or take any steps to ascertain whether an Event of Default or a Potential Event of Default or a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and/or any other person appointed by the Issuer in relation to the Bonds, of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions from the Bondholders or in the event that no such directions sought are not provided or received from the Bondholders.

The Trustee may rely without liability to the Issuer, the Bondholders or any other person on any report, confirmation, information or certificate or any advice or opinion of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, information, opinion or certificate or advice and such report, confirmation, information, opinion or certificate or advice shall be binding on the Issuer and the Bondholders.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer or its respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee in respect thereof.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, first payment of interest on them and the timing for registering and completing the Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the outstanding bonds of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding bonds of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds of other series where the Trustee so decides.

16 Notices

All notices to the holders of Bonds shall be valid if (i) mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing or (ii) published in a leading newspaper having general circulating in Hong Kong or, if such publication shall not be practicable, in a daily newspaper with general circulation in Asia. It is expected that such publication will normally be made in *The Wall Street Journal Asia*. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System (as defined in The Global Certificate), notices to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Issuer irrevocably agrees that the courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, The Trust Deed, the Agency Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with the Bonds, the Trust Deed, the Agency Agreement) and accordingly submits to the jurisdiction of the Hong Kong courts. The Issuer waives any objection to the courts of Hong Kong whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Service of Process:** The Issuer irrevocably agrees to receive service at its usual business address at Room A, 32nd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. Nothing in this Condition 18(c) shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** The Issuer hereby waives any right to claim sovereign, crown, state or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this offering circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will initially be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depository on behalf of Euroclear and Clearstream.

Payment

So long as the Bonds are represented by the Global Certificate, the Issuer will, for value received, promise to pay the amount payable upon redemption under the Conditions in respect of the Bonds on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions), and interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Each payment will be made to, or to the order of, the person whose name is entered on the register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each US\$1,000 for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond represented by the Global Certificate will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the registrar for annotation (for information only) in its schedule.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions of the Bonds.

Bondholder's Redemption

The Bondholder's redemption option in Condition may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Redemption at the Option of the Issuer

The option of the Issuer provided for in Conditions 8(b) and 8(d) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Conditions.

Exchange of Bonds Represented by Global Certificates

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any alternative clearing system on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with Barclays Bank PLC, Citigroup Global Markets Limited, DBS Bank Ltd., J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Coöperatieve Rabobank U.A., Hong Kong Branch and CMB International Capital Limited as the Joint Lead Managers dated 7 July 2021 (the “**Subscription Agreement**”) pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below:

Managers	Principal Amount of the Bonds
Barclays Bank PLC	US\$200,000,000
Citigroup Global Markets Limited	US\$200,000,000
DBS Bank Ltd.	US\$25,000,000
J.P. Morgan Securities plc.	US\$25,000,000
China International Capital Corporation Hong Kong Securities Limited	US\$25,000,000
Coöperatieve Rabobank U.A., Hong Kong Branch	US\$12,500,000
CMB International Capital Limited	US\$12,500,000
Total	US\$500,000,000

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Bonds, any Joint Lead Manager acting as the stabilisation manager (the “**Stabilisation Manager**”) or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers in the manner agreed by them.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Joint

Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

PRC

Each Joint Lead Manager has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People’s Republic of China.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation

for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

JAPAN

Each Joint Lead Manager has represented and agreed that the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

CAYMAN ISLANDS

Each Joint Lead Manager has represented and agreed that the offer to sell the Bonds is private and not intended for the public and, further that each Joint Lead Manager has not made and will not make any invitation to the public or any member of the public in the Cayman Islands to offer or sell the Bonds, and the Bonds may not be offered or sold, directly or indirectly, in the Cayman Islands.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

PRC TAXATION

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Bonds in this “Taxation – PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Income Tax

The EIT Law which was amended on 29 December 2018, and its implementation regulations which were revised on 23 April 2019 impose a withholding tax at the rate of 10% (subject to any applicable tax treaty) on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within China and be subject to 10% PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which was revised on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which were revised on 18 December 2018 and took effect on 1 January 2019, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days shall be considered as non-resident individuals and pay individual income tax for any income obtained within the PRC. If the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to a 20% individual income tax, which may be withheld at source. However, the tax so charged on interests paid on the Bonds to non-PRC resident holders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7% of the gross amount of the interest pursuant to the arrangement between mainland China and Hong Kong and relevant interpretation of the arrangement formulated by SAT.

Under the EIT Law and its implementation rules, if the Issuer is determined to be a PRC resident enterprise, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-PRC resident enterprises may be subject to the EIT Law if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “non-PRC resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. There remains uncertainty as to whether the gains realised from the transfer of the Bonds would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules.

Similarly, there remains uncertainty as to whether the gains realised from the transfer of the Bonds would be treated as income obtained within the PRC and be subject to PRC tax.

If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate, respectively, will apply unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, holders of the Bonds who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

Value Added Tax

On 23 March 2016, MOF and SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by MOF and SAT. According to the Explanatory Bonds to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent.

Circular 36 further clarified that “loan services” refer to the activities of lending capital for another’s use and receiving the interest income thereon. Based on such an interpretation, the issuance of Bonds may be treated as the holders of the Bonds providing loans to the Company, which thus shall be regarded as the provision of financial services. Accordingly, if the Company is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Company to the holders of the Bonds is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12% of

the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72%. Given that the Company pays interest income to the holders of the Bonds who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold the value-added tax and local levies from the payment of interest income to holders of the Bonds who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC holders either upon the issuance of the Bonds or upon a subsequent transfer of the Bonds to the extent that the register of holders of the Bonds is maintained outside of the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source, unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

CAYMAN ISLANDS

Under Existing Cayman Islands Laws, payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds. The Bonds themselves will be stampable if they are executed in or brought into the Cayman Islands.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under the Common Code Number 235551772 and the International Securities Identification Number for the Bonds is XS2355517728.
2. **Authorisations:** The Company has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of their obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the board of directors of the Company passed on 2 July 2021.
3. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2020 in the financial or trading position, prospects or results of operations of the Company or the Group.
4. **Litigation:** Neither of the Company nor any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which are material in the context of the issue of the Bonds or which could have a material and adverse effect on the business, results of operations and financial condition of the Company or the Group. The Company is not aware of any such litigation, disputes or arbitration proceedings that are currently pending or threatened.
5. **Listing of the Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issue to Professional Investors only and such permission is expected to be effective on or about 15 July 2021.
6. **Available Documents:** Copies of the annual reports of the Company as at and for the years ended 31 December 2019 and 2020, as well as the Trust Deed and the Agency Agreement will be available for inspection during normal business hours from the Issue Date at the principal place of business of the Trustee (being, at the date of this Offering Circular, 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) or at the specified office of the Principal Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent, so long as any of the Bonds is outstanding. Copies of the annual reports of the Company as at and for the years ended 31 December 2019 and 2020 are also available on the website of the Stock Exchange at www.hkexnews.hk.

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Page references included in the audited consolidated financial statements of the Group as at and for each of the years ended 31 December 2019 and 2020 set forth below refer to pages in the Company's annual reports for the years ended 31 December 2019 and 2020, respectively.

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

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 104 to 254, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 (“**HKSAs**”) 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104至254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2020年12月31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2020年12月31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 2020 and the significant degree of estimates made by the management in determining such fair values.

The Group reported milkable cows of Renminbi (“RMB”) 5,084 million as at 31 December 2020. These biological assets are measured at fair value less costs to sell at the end of each reporting period.

As disclosed in Notes 5 and 40 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 future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kilogram (“kg”) of raw milk. The management 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 5, 21 and 40 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2020年12月31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2020年12月31日，貴集團報告人民幣(「人民幣」)5,084百萬元的奶牛。此等生物性資產以公平值減各報告期末出售成本計量。

誠如綜合財務報表附註5及40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、估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克(「千克」)原料奶估計飼養成本。管理層已委聘獨立估值師協助其評估奶牛的公平值。

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5、21及40。

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

- Testing the Group's relevant internal controls over the fair value determination of milkable cows;
- Evaluating the independent valuer's objectivity, qualifications and competence;
- Involving our internal valuation specialists to assess the appropriateness of the valuation methodologies and the reasonableness of the discount rate applied; and
- Assessing the reasonableness of the key assumptions, including the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg 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相關內部控制；
- 評估獨立估值師的客觀性、資格及能力；
- 加入我們的內部估值專家評估估值方法的恰當性及已應用貼現率的合理性；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，包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

KEY AUDIT MATTERS (continued)

關鍵審核事項(續)

Key audit matter 關鍵審核事項

How our audit addressed the key audit matter 我們在審核中處理關鍵審核事項的方法

Impairment assessment on goodwill allocated to ADH CGU (as defined below)
分配至ADH現金產生單位商譽的減值評估(定義見下文)

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

The Group reported goodwill, net of impairment, of RMB1,012 million relating to the acquisition of ADH Companies as at 31 December 2020. An impairment loss of RMB49 million was recognised during the year ended 31 December 2020.

As disclosed in Notes 5 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 discount rate, the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg of raw milk. The management 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」)，包括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，乃由於重大結餘以及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2020年12月31日，貴集團報告有關收購ADH公司的商譽(扣除減值)為人民幣1,012百萬元。減值虧損人民幣49百萬元於截至2020年12月31日止年度確認。

誠如綜合財務報表附註5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貼現率、估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。管理層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 the ADH CGU included:

- Evaluating the independent valuer's objectivity, qualification and competence;
- Involving our internal valuation specialists to assess the appropriateness of the valuation methodologies and the reasonableness of the discount rate applied; and
- Assessing the reasonableness of the key assumptions including the estimated future market price of raw milk, estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg of raw milk by comparing to historical data and the data used in the prior periods' impairment assessment.

我們就分配至ADH現金產生單位商譽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；
- 加入內部估值專家評估估值方法的恰當性及已應用貼現率的合理性；及
- 透過比較過往數據及用於過往期間減值評估的數據對主要假設的合理性進行評估，包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

其他資料

貴公司董事須對其他資料承擔責任。其他資料包括載於年報的資料，惟不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表提出的意見並無涵蓋其他資料，而我們不會對其他資料發表任何形式的核證結論。

就我們審核綜合財務報表而言，我們的責任為閱讀其他資料，從而考慮其他資料是否與綜合財務報表或我們在審核過程中獲悉的資料存在重大不符，或是否存在重大錯誤陳述。倘若我們基於已進行的工作認為其他資料出現重大錯誤陳述，我們須報告有關事實。就此，我們毋須作出報告。

董事及肩負管治責任者就綜合財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈國際財務報告準則及香港公司條例的披露規定編製真實而公平地反映情況的綜合財務報表，及落實董事釐定對編製綜合財務報表屬必要的有關內部監控，以使該等綜合財務報表不會存在由於欺詐或錯誤而導致的重大錯誤陳述。

在編製綜合財務報表時，董事須負責評估貴集團持續經營的能力，並披露與持續經營有關的事項(如適用)。除非董事擬將貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則須採用以持續經營為基礎的會計法。

肩負管治責任者負責監督貴集團的財務報告流程。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審核綜合財務報表須承擔的 責任

我們的目標為合理確定此等綜合財務報表整體而言不會存在由於欺詐或錯誤而導致的重大錯誤陳述，並發出載有我們意見的核數師報告。我們根據委聘的協定條款僅向閣下整體報告，不作其他用途。我們並不就本報告的內容對任何其他人士承擔任何義務或接受任何責任。合理確定屬高層次的核證，惟根據香港審計準則進行的審核工作不能保證總能察覺所存在的重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，倘個別或整體在合理預期情況下可影響使用者根據該等綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

在根據香港審計準則進行審核的過程中，我們在整個審核中運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對該等風險，以及獲取充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或凌駕內部監控的情況，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部監控，以設計適當的審核程序，惟並非旨在對貴集團內部監控的有效性發表意見。
- 評估董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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(如適用)為消除威脅所採取的行動或已應用的防範措施。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lung Kwok Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2021

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龍國鴻。

德勤•關黃陳方會計師行
執業會計師
香港
2021年3月23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 2020 截至2020年12月31日止年度

		NOTES 附註	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Revenue	收入	6	6,020,247	5,514,210
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前的銷售成本	8	(3,561,559)	(3,412,330)
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	8/21	(2,277,414)	(1,938,360)
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損	21	(1,031,316)	(1,039,221)
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	21	2,277,414	1,938,360
Other income	其他收入	7	86,675	51,068
Impairment losses under expected credit loss model, net of reversal	預期信貸虧損模型下減值虧損，扣除撥回	10	(5)	161,335
Other gains and losses, net	其他收益及虧損淨額	8	142,514	(121,046)
Selling and distribution costs	銷售及分銷開支		(194,440)	(175,487)
Administrative expenses	行政開支		(374,155)	(276,739)
Other expenses	其他開支	7	(16,503)	(9,061)
Share of profits of associates	應佔聯營公司溢利		31,570	34,479
Profit before finance costs and tax	除融資成本及稅項前溢利	8	1,103,028	727,208
Finance costs	融資成本	9	(318,624)	(376,795)
Profit before tax	除稅前溢利		784,404	350,413
Income tax expense	所得稅開支	11	(639)	(556)
Profit for the year	年內溢利		783,765	349,857
Other comprehensive income:	其他全面收入：			
<i>Item that will not be reclassified to profit or loss:</i>	<i>不會重新分類為損益的項目：</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income	按公平值計入其他全面收入的權益工具投資公平值收益		1,121	1,451
Other comprehensive income for the year, net of income tax	年內其他全面收入，扣除所得稅		1,121	1,451
Total comprehensive income for the year	年內全面收入總額		784,886	351,308



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 2020 截至2020年12月31日止年度

		NOTES 附註	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Profit for the year attributable to:	以下各方應佔年內溢利：			
Owners of the Company	本公司擁有人		770,010	341,270
Non-controlling interests	非控股權益		13,755	8,587
			783,765	349,857
Total comprehensive income for the year attributable to:	以下各方應佔年內全面收入總額：			
Owners of the Company	本公司擁有人		771,110	342,695
Non-controlling interests	非控股權益		13,776	8,613
			784,886	351,308
Earnings per share (RMB)	每股盈利(人民幣)	15		
Basic	基本		12.07 cents 分	5.54 cents 分
Diluted	攤薄		12.04 cents 分	5.52 cents 分

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

AT 31 DECEMBER 2020 於2020年12月31日

		NOTES 附註	2020 2020年 RMB'000 人民幣千元	2019 2019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	3,317,719	3,455,068
Right-of-use assets	使用權資產	17	303,849	320,161
Goodwill	商譽	18	1,322,457	1,371,266
Interests in associates	於聯營公司的權益	19	289,860	215,392
Equity instruments at fair value through other comprehensive income	按公平值計入其他全面收入的權益工具	20	5,080	3,959
Biological assets	生物資產	21	7,101,243	7,459,359
Pledged bank deposits	已質押銀行存款	26	122,706	-
Bank balances	銀行結餘	26	20,637	-
			12,483,551	12,825,205
CURRENT ASSETS	流動資產			
Inventories	存貨	22	1,158,643	1,078,491
Trade and other receivables and advance payments	應收貿易賬款及其他應收款項以及預付款項	23	706,659	618,288
Derivative financial instruments	衍生金融工具	24	11,145	89,543
Other financial assets	其他金融資產	25	50,000	-
Pledged bank deposits	已質押銀行存款	26	34,503	80,122
Bank balances and cash	銀行結餘及現金	26	1,123,710	961,094
			3,084,660	2,827,538
Assets of a disposal group classified as held for sale	分類為持作出售的出售組別資產	27	-	71,450
			3,084,660	2,898,988
CURRENT LIABILITIES	流動負債			
Trade and other payables	應付貿易賬款及其他應付款項	28	1,410,786	1,521,688
Tax payable	應課稅項		364	233
Bank borrowings	銀行借款	29	3,471,314	3,822,643
Other borrowings	其他借款	30	-	1,051,413
Lease liabilities	租賃負債	31	23,851	23,238
Derivative financial instruments	衍生金融工具	24	59,338	15,274
Contract liabilities	合約負債	32	198	189
			4,965,851	6,434,678
Liabilities of a disposal group classified as held for sale	分類為持作出售的出售組別負債	27	-	2,196
			4,965,851	6,436,874
NET CURRENT LIABILITIES	流動負債淨額		(1,881,191)	(3,537,886)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債		10,602,360	9,287,319



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

AT 31 DECEMBER 2020 於2020年12月31日

		NOTES 附註	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
CAPITAL AND RESERVES	資本及儲備			
Share capital	股本	34	555,535	551,007
Reserves	儲備		7,341,388	6,530,510
Equity attributable to owners of the Company	本公司擁有人應佔權益		7,896,923	7,081,517
Non-controlling interests	非控股權益		141,521	126,184
TOTAL EQUITY	總權益		8,038,444	7,207,701
NON-CURRENT LIABILITIES	非流動負債			
Bank borrowings	銀行借款	29	2,171,012	1,715,831
Derivative financial instruments	衍生金融工具	24	24,000	–
Lease liabilities	租賃負債	31	196,042	206,109
Deferred income	遞延收入	33	172,862	157,678
			2,563,916	2,079,618
			10,602,360	9,287,319

The consolidated financial statements on pages 104 to 254 were approved and authorised for issue by the board of directors on 23 March 2021 and are signed on its behalf by:

載於第104至254頁的綜合財務報表於2021年3月23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 2020 截至2020年12月31日止年度

		Attributable to owners of the Company 本公司擁有人應佔										
		Share capital	Share premium	Other reserve	Share options reserve	Share award reserve	Shares held under the Share Award Schemes	Fair value through other comprehensive income 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	按公平值計入其他全面收入儲備	保留盈利	小計	非控股權益	合計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元 (Note 34) (附註34)	RMB'000 人民幣千元	RMB'000 人民幣千元 (Note 35(b)) (附註35(b))	RMB'000 人民幣千元 (Note 35(b)) (附註35(b))	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 2019	於2019年1月1日	526,058	4,641,066	979,953	5,286	23,163	(85,720)	(23,118)	357,568	6,424,256	108,447	6,532,703
Profit for the year	年內溢利	-	-	-	-	-	-	-	341,270	341,270	8,587	349,857
Other comprehensive income for the year	年內其他全面收入	-	-	-	-	-	-	1,425	-	1,425	26	1,451
Total comprehensive income for the year	年內全面收入總額	-	-	-	-	-	-	1,425	341,270	342,695	8,613	351,308
Share purchase for the Share Award Schemes (Note 35(b))	就股份獎勵計劃的股份購買 (附註35(b))	-	-	-	-	-	(31,127)	-	-	(31,127)	-	(31,127)
Reversal due to vesting of award shares (Note 35(b))	因獎勵股份歸屬而撥回 (附註35(b))	-	-	-	-	(43,806)	59,835	-	(16,029)	-	-	-
Recognition of equity-settled share-based payment (Note 35(b))	確認按股權結算以股份支付的付款 (附註35(b))	-	-	-	-	25,553	-	-	-	25,553	-	25,553
Ordinary shares issued (Note 34)	已發行普通股 (附註34)	24,949	304,315	-	-	-	-	-	-	329,264	-	329,264
Equity transactions related to interest free loans (Note 34)	有關免息貸款的股權交易 (附註34)	-	-	(9,124)	-	-	-	-	-	(9,124)	9,124	-
At 31 December 2019	於2019年12月31日	551,007	4,945,381	970,829	5,286	4,910	(57,012)	(21,693)	682,809	7,081,517	126,184	7,207,701
Profit for the year	年內溢利	-	-	-	-	-	-	-	770,010	770,010	13,755	783,765
Other comprehensive income for the year	年內其他全面收入	-	-	-	-	-	-	1,100	-	1,100	21	1,121
Total comprehensive income for the year	年內全面收入總額	-	-	-	-	-	-	1,100	770,010	771,110	13,776	784,886
Share purchase for the Share Award Schemes (Note 35(b))	就股份獎勵計劃的股份購買 (附註35(b))	-	-	-	-	-	(19,892)	-	-	(19,892)	-	(19,892)
Reversal due to vesting of award shares (Note 35(b))	因獎勵股份歸屬而撥回 (附註35(b))	-	-	-	-	(24,227)	29,560	-	(5,333)	-	-	-
Recognition of equity-settled share-based payment (Note 35(b))	確認按股權結算以股份支付的付款 (附註35(b))	-	-	-	-	26,806	-	-	-	26,806	-	26,806
Exercise of Management Options (Note 35(a))	行使管理層購股權 (附註35(a))	4,528	39,701	-	(5,286)	-	-	-	-	38,943	-	38,943
Equity transactions related to interest free loans (Note 34)	有關免息貸款的股權交易 (附註34)	-	-	(1,561)	-	-	-	-	-	(1,561)	1,561	-
At 31 December 2020	於2020年12月31日	555,535	4,985,082	969,268	-	7,489	(47,344)	(20,593)	1,447,486	7,896,923	141,521	8,038,444

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

	NOTE 附註	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
OPERATING ACTIVITIES	經營活動		
Profit before tax	除稅前溢利	784,404	350,413
Adjustments for:	就以下作調整：		
Depreciation of property, plant and equipment charged to profit or loss	自損益扣除的物業、廠房及設備折舊	262,525	308,783
Depreciation of right-of-use assets charged to profit or loss	自損益扣除的使用權資產折舊	10,573	10,563
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	-	45,287
Impairment losses under expected credit loss model, net of reversal	預期信貸虧損模型下減值虧損，扣除撥回	5	(161,335)
Impairment loss on goodwill	商譽減值虧損	48,809	27,323
Bank interest income	銀行利息收入	(18,308)	(11,169)
Government grants credited to income	計入收入的政府補貼	(31,131)	(19,030)
Finance costs	融資成本	318,624	376,795
Share of profits of associates	應佔聯營公司溢利	(31,570)	(34,479)
Gains on disposal of subsidiaries	出售附屬公司收益	(72,280)	-
Losses (gains) on fair value changes of derivative financial instruments	衍生金融工具公平值變動虧損(收益)	27,032	(50,556)
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	13,110	16,879
Gains on derecognition of financial liabilities	取消確認金融負債的收益	-	(839)
Gains on fair value changes of other financial assets	其他金融資產公平值變動收益	(1,012)	-
Net foreign exchange (gains) loss from borrowings	來自借款的外匯(收益)虧損淨額	(173,760)	84,167
Equity-settled share award expense	以股權結算的股份獎勵開支	26,806	25,553
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損	1,031,316	1,039,221
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	2,195,143	2,007,576
Increase in inventories	存貨增加	(61,320)	(73,937)
(Increase) decrease in trade and other receivables and advance payments	應收貿易賬款及其他應收款項以及預付款項(增加)減少	(86,012)	323,076
Decrease in trade and other payables	應付貿易賬款及其他應付款項減少	(108,763)	(206,935)
Increase (decrease) in contract liabilities	合約負債增加(減少)	9	(43)
Cash generated from operations	業務產生的現金	1,939,057	2,049,737
Income tax paid	已付所得稅	(409)	(645)
NET CASH FROM OPERATING ACTIVITIES	經營活動所得現金淨額	1,938,648	2,049,092

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

	NOTE 附註	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
INVESTING ACTIVITIES	投資活動		
Interest received	已收利息	15,099	11,336
Purchases of property, plant and equipment	購入物業、廠房及設備	(254,635)	(279,332)
Payments for right-of-use assets	使用權資產付款	-	(95)
Payments for rental deposits	租賃按金付款	-	(61)
Investments in an associate	於聯營公司的投資	(42,898)	-
Addition in biological assets	生物資產增置	(1,229,626)	(1,279,678)
Placement of pledged bank deposits	存入已質押銀行存款	(154,503)	(47,122)
Withdrawal of pledged bank deposits	提取已質押銀行存款	80,122	28,355
Placement of time deposits with original maturity over three months	存入原到期日超過三個月的定期存款	(40,578)	(67,653)
Withdrawal of time deposits with original maturity over three months	提取原到期日超過三個月的定期存款	67,653	-
Placement of other financial assets	存入其他金融資產	(200,000)	-
Withdrawal of other financial assets	提取其他金融資產	151,012	-
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	5,087	9,208
Proceeds from disposal of dairy cows	出售乳牛所得款項	665,238	575,156
Proceeds from disposal of subsidiaries	出售附屬公司所得款項	133,984	-
Government grants received	已收政府補貼	46,315	24,019
Loan to a third party	向第三方貸款	(8,000)	-
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用現金淨額	(765,730)	(1,025,867)
FINANCING ACTIVITIES	融資活動		
Interest paid	已付利息	(250,100)	(357,054)
New bank borrowings raised	新籌得銀行借款	5,391,559	3,838,876
Repayment of bank borrowings	償還銀行借款	(5,109,013)	(2,822,695)
Proceeds from other borrowings	其他借款所得款項	-	2,121,250
Repayment of other borrowings	償還其他借款	(1,050,000)	(2,071,250)
Proceeds from disposal of derivative financial instruments	出售衍生金融工具所得款項	77,975	-
Payment of transaction cost for bank borrowings	支付銀行借款的交易成本	(25,145)	(24,187)
Repayment of corporate bonds	償還公司債券	-	(1,050,000)
Repayment of medium-term notes	償還中期票據	-	(600,000)
Repayment of amounts due to a related party	償還應付關聯方款項	-	(150,000)
Repayments of leases liabilities	償還租賃負債	(18,317)	(15,137)
Payment for repurchase of ordinary shares	購買普通股付款	(19,892)	(31,127)
Proceeds from issue of shares	發行股份所得款項	38,943	329,264
NET CASH USED IN FINANCING ACTIVITIES	融資活動所用現金淨額	(963,990)	(832,060)
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物增加淨額	208,928	191,165

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

	NOTES 附註	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Bank balances and cash as stated in the consolidated statement of financial position	綜合財務狀況表所示銀行結餘及現金	961,094	703,039
Time deposits with original maturity over three months	原到期日超過三個月的定期存款	(67,653)	—
Cash and cash equivalents attributable to the disposal group classified as held for sale	分類為持作出售的出售組別應佔現金及現金等價物	763	—
CASH AND CASH EQUIVALENTS AT 1 JANUARY	於1月1日的現金及現金等價物	894,204	703,039
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	於12月31日的現金及現金等價物	1,103,132	894,204
Represented by	以以下各項呈列		
Bank balances and cash as stated in the consolidated statement of financial position	綜合財務狀況表所示銀行結餘及現金	1,144,347	961,094
Time deposits with original maturity over three months	原到期日超過三個月的定期存款	(41,215)	(67,653)
Cash and cash equivalents attributable to the disposal group classified as held for sale	分類為持作出售的出售組別應佔現金及現金等價物	—	763
	27		
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS	綜合現金流量表所示現金及現金等價物	1,103,132	894,204
	26		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

1. GENERAL INFORMATION

China Modern Dairy Holdings Ltd. (the “**Company**”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the People’s Republic of China (the “**PRC**”).

As at 31 December 2020, China Mengniu Dairy Co., Ltd. (“**Mengniu**”) and its wholly-owned subsidiary together owned 57.69% of the issued share capital of the Company. Mengniu and its subsidiaries are hereinafter collectively referred to as the “**Mengniu Group**”.

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. 一般資料

中國現代牧業控股有限公司(「**本公司**」)為一間根據開曼群島公司法在開曼群島註冊成立及登記的獲豁免有限公司，其股份已自2010年11月26日起在香港聯合交易所有限公司(「**聯交所**」)主板上市。本公司的註冊辦事處位於Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands。本公司主要營業地點則位於中華人民共和國(「**中國**」)安徽省馬鞍山市經濟技術開發區。

於2020年12月31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57.69%。蒙牛及其附屬公司於下文統稱「**蒙牛集團**」。

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 2020 截至2020年12月31日止年度

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

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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. 應用國際財務報告準則(「國際財務報告準則」)的修訂

(a) 於本年度強制生效的國際財務報告準則的修訂

於本年度，本集團已首次應用由國際會計準則理事會(「國際會計準則理事會」)頒佈並於2020年1月1日或之後開始的年度期間強制生效的國際財務報告準則概念框架指引的修訂以及以下國際財務報告準則的修訂，以編製綜合財務報表：

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>
國際財務報告準則第3號的修訂	<i>業務的定義</i>
國際財務報告準則第9號、國際會計準則第39號及國際財務報告準則第7號的修訂	<i>利率基準改革</i>

於本年度應用國際財務報告準則概念框架指引的修訂以及國際財務報告準則的修訂並無對本集團於當前及過往年度的財務狀況及表現及／或於此等綜合財務報表內所載的披露構成重大影響。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

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

(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 17	<i>Insurance Contracts and the related Amendments¹</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions⁴</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform-Phase²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current¹</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts-Cost of Fulfilling a Contract²</i>
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018-2020²</i>

2. 應用國際財務報告準則(「國際財務報告準則」)的修訂(續)

(b) 已頒佈惟尚未生效的新訂及國際財務報告準則的修訂

本集團並無提早應用以下已頒佈惟尚未生效的新訂及國際財務報告準則的修訂：

國際財務報告準則第17號	保險合約及相關修訂 ¹
國際財務報告準則第16號的修訂	新冠疫情相關租金優惠 ⁴
國際財務報告準則第3號的修訂	概念框架指引 ²
國際財務報告準則第9號、國際會計準則第39號、國際財務報告準則第7號、國際財務報告準則第4號及國際財務報告準則第16號的修訂	利率基準改革 – 第二階段 ²
國際財務報告準則第10號及國際會計準則第28號的修訂	投資者與其聯營公司或合營公司之間的資產銷售或投入 ³
國際會計準則第1號的修訂	負債分類為流動或非流動 ¹
國際會計準則第1號及國際財務報告準則實務聲明書第2號的修訂	會計政策的披露 ¹
國際會計準則第8號的修訂	會計估計的定義 ¹
國際會計準則第16號的修訂	物業、廠房及設備：擬定用途前的所得款項 ²
國際會計準則第37號的修訂	虧損性合約 – 履約成本 ²
國際財務報告準則的修訂	國際財務報告準則年度改進(2018年至2020年) ²

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2. APPLICATION OF 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 2023.
2. Effective for annual periods beginning on or after 1 January 2022.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 June 2020.
5. Effective for annual periods beginning on or after 1 January 2021.

The Directors anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. 應用國際財務報告準則(「國際財務報告準則」)的修訂(續)

(b) 已頒佈惟尚未生效的新訂及國際財務報告準則的修訂(續)

1. 於2023年1月1日或之後開始的年度期間生效。
2. 於2022年1月1日或之後開始的年度期間生效。
3. 於待定期或之後開始的年度期間生效。
4. 於2020年6月1日或之後開始的年度期間生效。
5. 於2021年1月1日或之後開始的年度期間生效。

董事預期應用新訂及國際財務報告準則的修訂於可見將來不會對綜合財務報表造成重大影響。

3. 綜合財務報表的編製基準

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。就編製綜合財務報表而言，倘該等資料可合理預期會影響主要使用者的決定，則該等資料被視為重大資料。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及香港公司條例所規定的適用披露。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

In preparation of the consolidated financial statements for the year ended 31 December 2020, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its total current assets by RMB1,881,191,000 (2019: RMB3,537,886,000). Taking into account, (i) the available credit facilities of approximately RMB4,597,896,000 which remain unutilised as at 31 December 2020 (These credit facilities included an amount of RMB1,300,000,000 from Inner Mongolia Mengniu Dairy (Group) Company Limited (“**Inner Mongolia Mengniu**”), a subsidiary of Mengniu, and the remaining credit facilities are from licensed banks); (ii) the expected net cash inflows generated from the Group’s operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 fair value through other comprehensive income (“**FVTOCI**”); (iii) other financial assets, which are measured at fair values; and (iv) derivative financial instruments, which are measured at fair values at the end of each reporting period as explained in the accounting policies set out in Note 4.

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

3. 綜合財務報表的編製基準(續)

在編製截至2020年12月31日止年度的綜合財務報表時，鑒於本集團的流動負債超出其總流動資產人民幣1,881,191,000元(2019年：人民幣3,537,886,000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(i)於2020年12月31日的可供動用信貸融資約人民幣4,597,896,000元並未動用(該等信貸融資包括來自蒙牛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**」)的人民幣1,300,000,000元，剩餘信貸融資來自持牌銀行)；(ii)未來十二個月本集團營運產生的預期現金流入淨額，董事信納本集團將能夠在可見將來在到期時充分履行其財務責任。因此，綜合財務報表根據持續經營基準編製。

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(「**按公平值計入其他全面收入**」)的權益工具；(iii)按公平值計量的其他金融資產；及(iv)衍生金融工具按各報告期末的公平值計量除外(如附註4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。



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綜合財務報表附註

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3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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 accounted for in accordance with IFRS 16 *Leases* ("IFRS 16"), 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* ("IAS 36").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are 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.

3. 綜合財務報表的編製基準(續)

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、根據國際財務報告準則第16號租賃(「國際財務報告準則第16號」)入賬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(「國際會計準則第36號」)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。

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。

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3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES

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. 綜合財務報表的編製基準(續)

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。

4. 重要會計政策

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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綜合財務報表附註

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4. 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 intragroup 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.

4. 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擁有人及非控股權益，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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4. 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.

4. 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入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，前附屬公司所保留任何投資的公平值則視為初始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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4. 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 CGU (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.

Investments 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.

4. 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(或現金產生單位組別)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(或現金產生單位組別)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(或現金產生單位組別)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。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財政及營運政策決定的權力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應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。當本集團應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,本集團終止確認其應佔的進一步虧損。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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments 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.

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 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 is not allocated to any asset, including goodwill, that 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 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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4. 重要會計政策(續)

於聯營公司的投資(續)

聯營公司投資自被投資者成為聯營公司該日起使用權益法入賬。

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並無分配予任何資產(包括商譽)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。

持作出售的非流動資產及出售組別

倘非流動資產及出售組別的賬面值將主要透過銷售交易而非持續使用收回，則有關非流動資產及出售組別分類為持作出售。只有當資產(或出售組別)在其當前狀態下可立即出售，且僅受出售該資產(或出售組別)的通常及習慣條款的約束，且該資產(或出售組別)極有可能出售時，才視為滿足該條件。管理層必須致力於出售，預計出售將在分類之日起一年內被確認為已完成出售。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Non-current assets and disposal groups held for sale

(continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9 *Financial Instruments* ("IFRS 9"), which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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.

4. 重要會計政策(續)

持作出售的非流動資產及出售組別(續)

當本集團致力於涉及喪失對附屬公司控制權的銷售計畫時，當滿足上述標準時，該附屬公司的所有資產及負債均被歸類為持作出售，無論本集團在出售後是否保留對相關附屬公司的非控股權益。

分類為持作出售的非流動資產(及出售組別)按其以前的賬面值及公平值減去出售成本後的較低者計量，惟國際財務報告準則第9號金融工具(「國際財務報告準則第9號」)範圍內的金融資產除外，其繼續按照相關章節列出的會計政策計量。

客戶合約收入

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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue from contracts with customers (continued)

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.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. 重要會計政策(續)

客戶合約收入(續)

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。

租賃

租賃的定義

倘合約授予權利以代價為交換在某一時期內控制使用已識別資產，則該合約屬於租賃或包含租賃。

就於初次應用日期或之後訂立或修訂或業務合併產生的合約而言，本集團根據國際財務報告準則第16號於開始修訂日期或收購日期的定義評估合約是否屬於或包含租賃。除非合約條款及條件其後改變，否則不得重新評估該合約。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人

短期租賃及低價值資產租賃

本集團將短期租賃確認豁免應用於自開始日期起計為期12個月或更短期且並不包含購買選擇權的汽車、機械及設備租賃。其亦就低價值資產租賃應用確認豁免。短期租賃及低價值資產租賃的租賃付款於租期內以直線法或另一系統基準確認為開支。

使用權資產

使用權資產的成本包括：

- 租賃負債的初步計量金額；
- 於開始日期或之前所作的任何租賃付款，減任何已收取的租賃優惠；
- 本集團產生的任何初步直接成本；及
- 本集團在拆除及移除相關資產、恢復其所在地點或將相關資產恢復至租賃條款及條件所要求的狀況時所產生的估計成本。

使用權資產按成本減任何累計折舊及減值虧損計量，並就租賃負債任何重新計量作出調整。

使用權資產按其估計可使用年期及租期中的較短者以直線法折舊。

本集團於綜合財務狀況表中將使用權資產獨立呈列。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(續)

可退回租賃按金

已付可退回租賃按金根據國際財務報告準則第9號入賬，並初步按公平值計量。於初步確認時對公平值所作調整被視為額外租賃付款並計入使用權資產成本。

租賃負債

於租賃開始日期，本集團按當日未支付的租賃付款現值確認及計量租賃負債。於計算租賃付款的現值時，倘租賃所含的利率不能即時釐定，則本集團會於租賃開始日期使用增量借款利率。

租賃付款包括：

- 固定付款(包括實質固定付款)減任何應收租賃優惠；
- 可變租賃付款(視乎指數或利率而定)；及
- 倘租期反映本集團行使終止選擇權，則支付終止租賃的罰款。

反映市場租金變動的可變租賃付款初步使用於開始日期的市場租金計量。不會依賴指數或利率的可變租賃付款不計入租賃負債及使用權資產計量，並在觸發付款的事件或條件出現的期間內確認為開支。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(續)

租賃負債(續)

在開始日期後，租賃負債透過利息增加及租賃付款進行調整。

於下列情況下，本集團重新計量租賃負債(並對相關的使用權資產進行相應調整)：

- 租期有所變動或行使購買選擇權的評估發生變化，在該情況下，相關租賃負債透過使用重新評估當日經修訂貼現率貼現經修訂租賃付款而重新計量。
- 租賃付款因市場租金審查導致市場租賃利率變動而有所變化，在該情況下，相關租賃負債透過使用初始貼現率貼現經修訂租賃付款而重新計量。

本集團於綜合財務狀況表中將租賃負債獨立呈列。

租賃修訂

倘出現以下情況，本集團將租賃的修訂作為一項單獨租賃入賬：

- 該修訂透過增加一項或多項相關資產的使用權利而擴大租賃範圍；及
- 租賃代價增加的金額相當於擴大範圍對應的單獨價格，加上以反映特定合約的情況對單獨價格進行的任何適當調整。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(續)

租賃修訂(續)

對於不作為一項單獨租賃入賬的租賃修訂，本集團使用修訂生效日期經修訂貼現率貼現經修訂租賃付款，按經修訂租賃的租期重新計量租賃負債。

本集團通過對相關使用權資產進行相應調整，以對租賃負債進行重新計量。當經修改合約包含租賃成分以及一項或多項額外租賃或非租賃成分時，本集團根據租賃成分的相對獨立價格及非租賃成分的獨立價格總額將經修改合約中的代價分配至各租賃組成部分。

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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

Any specific borrowings that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rates on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

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

Government grants

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

Grants relating to biological assets

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

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.

4. 重要會計政策(續)

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。

任何於相關資產準備用於其擬定用途或出售後仍未償還的特定借款會計入一般借款組別，以計算一般借款的資本化比率。特定借款用於合資格資產開支前作臨時性投資所賺取的投資收益，於合資格撥充資本的借款成本中扣除。

所有其他借款成本均於產生期間內在損益中確認。

政府補貼

政府補貼在合理保證本集團將符合其所附帶條件以及將獲發補貼時方會予以確認。

與生物資產有關的補貼

與按公平值減銷售成本計量的生物資產相關的無條件政府補貼於且僅於可收取政府補貼時於損益中確認。

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、興建或以其他方式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使用年期內有系統及合理地撥至損益。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Government grants (continued)

Other grants (continued)

Government grants related to income 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. Such grants are presented under "other income".

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

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.

4. 重要會計政策(續)

政府補貼(續)

其他補貼(續)

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)的與收入有關的應收政府補貼，於應收期間於損益中確認。若干補貼已呈列於「其他收入」。

退休福利成本

向中國國家管理的退休福利計劃項下定額供款退休福利所作的供款於僱員已提供可使其享有供款的服務時作為開支扣除。

短期僱員福利

短期僱員福利按於及當僱員提供服務時預計將支付福利的未貼現金額確認。所有短期僱員福利確認為開支，除非另一項國際財務報告準則要求或允許將有關福利納入資產成本，則作別論。

在扣除已經支付的金額後，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

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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

Share options and award shares granted to employees

(continued)

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 schemes is reversed and the differences arising from the reversal is adjusted to retained earnings.

4. 重要會計政策(續)

以股份支付的付款(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)

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(購股權儲備或股份獎勵儲備)。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，並對購股權儲備或股份獎勵儲備作出相應調整。

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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payments (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, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense.

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.

4. 重要會計政策(續)

以股份支付的付款(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)，惟倘該付款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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4. 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.

4. 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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4. 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxable entity by the same taxation authority.

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.

4. 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。

為計量本集團確認使用權資產及相關租賃負債的租賃交易的遞延稅項，本集團首先確定稅項扣減是否歸屬於使用權資產或租賃負債。

就租賃交易而言，稅項扣減歸屬於租賃負債，本集團就租賃交易整體應用國際會計準則第12號所得稅之規定。有關使用權資產及租賃負債的暫時差額按淨額基準評估。使用權資產折舊超出租賃負債本金部分租賃付款的差額導致可扣減暫時差額淨額。

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，且與同一稅務機關向同一應課稅實體徵收之所得稅有關，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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4. 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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

4. 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。成本包括使資產達到能夠按照管理層擬定的方式經營所必要的位置及條件而直接應佔的任何成本，以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。與其他物業資產一樣，當該等資產達到擬定用途時開始折舊。

折舊的確認旨在於估計可使用年內按直線法撇銷物業、廠房及設備項目(不包括在建工程)的成本減該等項目的剩餘價值。估計可使用年期、剩餘價值及折舊方法於報告期末作檢討，按預測基準計入任何估計變動的影響。

任何物業、廠房及設備項目在出售時或預期繼續使用資產不會有未來經濟利益時終止確認。出售產生的任何收益或虧損按出售所得款項與資產賬面值之間的差額釐定，並於損益中確認。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amount of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives 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).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, 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.

4. 重要會計政策(續)

物業、廠房及設備、使用權資產及無形資產(商譽除外)減值

於報告期末，本集團檢討其可使用年期有限的物業、廠房及設備、使用權資產、無形資產的賬面值，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。

物業、廠房及設備、使用權資產及無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。

此外，本集團評估有否跡象顯示公司資產可能出現減值。倘出現有關跡象，當可識別一個合理及一致的分配基準時，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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amount of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

4. 重要會計政策(續)

物業、廠房及設備、使用權資產及無形資產(商譽除外)減值(續)

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。對於不可按合理及一致的基準分配至現金產生單位的公司資產或公司資產部分，本集團將現金產生單位組別的賬面值(包括分配至該現金產生單位組別的公司資產或公司資產部分的賬面值)與現金產生單位組別可收回金額作比較。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，然後再基於單位或現金產生單位組別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或現金產生單位組別的其他資產。減值虧損即時於損益中確認。

凡減值虧損於其後撥回，資產(或現金產生單位或現金產生單位組別)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(或現金產生單位或現金產生單位組別)並無確認減值虧損而釐定的賬面值。減值虧損的撥回即時於損益中確認。

存貨

存貨乃按成本與可變現淨值兩者中的較低者列賬。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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

4. 重要會計政策(續)

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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4. 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 *Revenue from Contracts with Customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("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

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.

4. 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(初步按國際財務報告準則第15號客戶合約收入(「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(「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

金融資產的分類及其後計量

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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (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 selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of 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 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 amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(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：

- 於目的為同時出售及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。

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，於初始確認金融資產當日，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的方式計量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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (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 other comprehensive income 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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(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率法予以確認。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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) which are subject to impairment test under IFRS 9. 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, 12-month ECL (“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.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(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方式計量的金融資產，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。

金融資產減值

本集團就根據國際財務報告準則第9號須予進行減值測試的金融資產(包括應收貿易賬款及其他應收款項、已質押銀行存款及銀行結餘)進行預期信貸虧損(「預期信貸虧損」)模式項下減值評估。預期信貸虧損金額於各報告日期更新，以反映自初始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(「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。

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乃個別評估。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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, in which case 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.

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;

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

就所有其他工具而言，本集團計量虧損撥備等於12個月預期信貸虧損，除非自初始確認起信貸風險顯著增加，在此情況下，本集團確認全期預期信貸虧損。評估全期預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
- 於評估信貸風險自初始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初始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。

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；

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

- (i) Significant increase in credit risk (continued)
- 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.

- (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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

- (i) 信貸風險顯著增加(續)
- 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，則信貸風險自初始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。

- (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，除非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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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.

(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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

(iii) 信貸減值金融資產

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)發生時維持信貸減值。金融資產維持信貸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。

(iv) 撇銷政策

當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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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 and 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.

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.

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 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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

(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、違約虧損率(即違約時的虧損程度)及違約風險承擔。違約概率及違約虧損率的評估乃基於過往數據及前瞻性資料作出。預期信貸虧損的預估反映無偏概率加權金額，以各自發生違約的風險為權重釐定。

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。

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。

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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

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.

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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

取消確認金融資產(續)

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。

於取消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。

金融負債及權益

分類為債務或權益

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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, (ii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 *Business Combinations* applies.

A financial liability is 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.

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.

4. 重要會計政策(續)

金融工具(續)

金融負債及權益(續)

按公平值計入損益的金融負債

倘金融負債屬(i)持作買賣；(ii)收購公司可能支付的或然代價(作為國際財務報告準則第3號業務合併適用的業務合併的一部分)，則金融負債分類為按公平值計入損益。

倘屬以下情況，金融負債為持作買賣：

- 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，並具有短期賺取溢利的近期實際模式；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。

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. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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.

4. 重要會計政策(續)

金融工具(續)

金融負債及權益(續)

衍生金融工具

衍生工具於訂立衍生工具合約日期初步按公平值確認，其後於報告期末重新計量公平值，所產生的收益或虧損於損益確認。

嵌入式衍生工具

嵌入於包含屬於國際財務報告準則第9號金融工具規範的金融資產的混合合約中的衍生工具不應分拆。整個混合合約應整體按攤銷成本或按公平值(如適用)分類和後續計量。

5. 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4闡述)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和被視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。

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5. KEY SOURCES OF ESTIMATION

UNCERTAINTY (continued)

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 market observable 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 ("kg") 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 2020 was RMB7,101,243,000 (2019: RMB7,459,359,000). Further details are given in Notes 21 and 40.

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 CGUs and a suitable pre-tax 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 2020, the carrying amount of goodwill is RMB1,322,457,000 (2019: RMB1,371,266,000), net of accumulated impairment loss of RMB213,429,000 (2019: RMB164,620,000). Details of the recoverable amount calculation are disclosed in Note 18.

5. 估計不確定性的主要來源(續)

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值技術。就小母牛及小牛而言，公平值乃根據十四個月大的小母牛本地市場售價而釐定，並經大於或小於十四個月的小母牛及小牛的估計飼養成本調整。就奶牛而言，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(「千克」)原料奶的估計飼養成本、各哺乳期的估計平均每日產奶量及原料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2020年12月31日，本集團生物資產的賬面值為人民幣7,101,243,000元(2019年：人民幣7,459,359,000元)。進一步詳情載於附註21及40。

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稅前貼現率以計算現值。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2020年12月31日，商譽的賬面值為人民幣1,322,457,000元(2019年：人民幣1,371,266,000元)，扣除累計減值虧損人民幣213,429,000元(2019年：人民幣164,620,000元)。有關可收回款項計算的詳情於附註18中披露。

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6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Types of goods	商品類型		
Raw milk	原料奶	6,020,247	5,514,210
Timing of revenue recognition	收入確認時間		
A point in time	時間點	6,020,247	5,514,210

(ii) Performance obligations for contracts with customers

The Group sells raw milk directly to dairy product manufactures. For sales of raw milk to its customers, revenue is recognised when control of the goods has been 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 days upon invoice date.

(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. 收入及分部資料

(i) 收入細分

(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。就向其客戶銷售原料奶而言，收入於已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。一般信貸期為發票日期後30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。

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6. REVENUE AND SEGMENT INFORMATION

(continued)

(iv) Segment information

IFRS 8 *Operating Segments* (“IFRS 8”) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), in order to allocate resources and to assess performance. During the two years ended 31 December 2020, the CODM assesses the operating performance and allocates resources of the Group as a whole, as all of the Group’s activities are considered to be primarily the provision of raw milk in the PRC. Accordingly, the Directors consider there is only one operating segment under the requirements of IFRS 8. In addition, 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 the Group is 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. In this regard, no segment information is presented.

(v) Information about major customers

Included in revenue arising from sales of raw milk to external customers is an amount of RMB4,939,178,000 (2019: RMB4,702,150,000) arose from sales to a single customer (“Customer A”) and RMB629,078,000 arose from sales to another single customer (“Customer B”). No other single customer contributed 10% or more to the Group’s revenue for each of the two years ended 31 December 2020.

6. 收入及分部資料(續)

(iv) 分部資料

國際財務報告準則第8號經營分部(「國際財務報告準則第8號」)規定根據主要營運決策者(「主要營運決策者」)定期審閱的有關本集團組成部分的內部報告識別經營分部，以分配資源及評估表現。截至2020年12月31日止兩個年度，主要營運決策者評估本集團的整體經營業績並分配其整體資源，乃由於本集團的所有活動主要被視為在中國提供原料奶。因此，董事認為，根據國際財務報告準則第8號只有一個經營分部。此外，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，而本集團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。就此而言，並無呈列分部資料。

(v) 有關主要客戶的資料

向外部客戶銷售原料奶產生的收入包括向單一客戶(「客戶A」)銷售產生的收入人民幣4,939,178,000元(2019年：人民幣4,702,150,000元)以及向另一單一客戶(「客戶B」)銷售產生的收入人民幣629,078,000元。截至2020年12月31日止兩個年度各年，並無其他單一客戶向本集團貢獻10%或以上收入。



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7. OTHER INCOME AND OTHER EXPENSES

Other income

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Bank interest income	銀行利息收入	18,308	11,169
Government grants related to	就以下各項授出的政府補貼		
– Assets (Note 33)	– 資產(附註33)	31,131	19,030
– Others (Note)	– 其他(附註)	28,844	13,593
		59,975	32,623
Others	其他	8,392	7,276
		86,675	51,068

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。

Other expenses

其他開支

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Donation expenses	捐贈開支	11,222	545
Others	其他	5,281	8,516
		16,503	9,061

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8. PROFIT BEFORE FINANCE COSTS AND TAX

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

8. 除融資成本及稅項前溢利

除融資成本及稅項前溢利乃扣除(計入)下列各項後計算得出：

		2020 2020年 RMB'000 人民幣千元	2019 2019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	3,561,559	3,412,330
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	2,277,414	1,938,360
		5,838,973	5,350,690
Other gains and losses, net:	其他收益及虧損淨額：		
Net foreign exchange (gain) loss	外匯(收益)虧損淨額	(158,173)	82,952
Loss on disposal of property, plant and equipment, net	出售物業、廠房及設備虧損淨額	13,110	16,879
Gains on disposal of subsidiaries (Note 36)	出售附屬公司的收益(附註36)	(72,280)	-
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	-	45,287
Impairment loss on goodwill	商譽減值虧損	48,809	27,323
Fair value gain on other financial assets	其他金融資產的公平值收益	(1,012)	-
Fair value (gain) loss on derivative financial instruments:	衍生金融工具的公平值(收益)虧損：		
Foreign currency forward contracts	外匯遠期合約	(26,381)	(17,971)
Foreign currency option contracts	外匯期權合約	53,413	(32,585)
		27,032	(50,556)
Gains on derecognition of financial liabilities	取消確認金融負債的收益	-	(839)
		(142,514)	121,046
Depreciation of property, plant and equipment	物業、廠房及設備折舊	454,376	516,954
Less: capitalised in biological assets	減：生物資產資本化金額	(191,851)	(208,171)
Depreciation charged to profit or loss	扣除自損益的折舊	262,525	308,783

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8. PROFIT BEFORE FINANCE COSTS AND TAX (continued)

8. 除融資成本及稅項前溢利(續)

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Depreciation of right-of-use assets	使用權資產折舊	16,904	16,266
Less: capitalised in biological assets	減：生物資產資本化金額	(6,331)	(5,703)
Depreciation charged to profit or loss	扣除自損益的折舊	10,573	10,563
Short-term lease expense	短期租賃開支	15,305	13,180
Less: capitalised in biological assets	減：生物資產資本化金額	(6,607)	(5,934)
Short-term lease expense charged to profit or loss	扣除自損益的短期租賃開支	8,698	7,246
Equity-settled share award expense	以股權結算的股份獎勵開支	26,806	25,553
Other employee benefits costs	其他僱員福利開支	585,618	490,961
Less: capitalised in biological assets	減：生物資產資本化金額	(120,868)	(122,538)
Employee benefits charged to profit or loss	扣除自損益的僱員福利	491,556	393,976
Auditors' remuneration	核數師薪酬	3,150	2,950

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9. FINANCE COSTS

9. 融資成本

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Interest expenses on:	利息開支：		
Bank borrowings	銀行借款	258,883	248,407
Medium-term notes	中期票據	-	6,620
Corporate bonds	公司債券	-	14,645
Other borrowings from Mengniu Group	來自蒙牛集團的其他借款	6,818	47,842
Other borrowings from financial institutions	來自金融機構的其他借款	403	2,337
Mengniu bill	蒙牛票據	-	6,952
Lease liabilities	租賃負債	11,065	11,010
Total borrowing cost	借款成本總額	277,169	337,813
Fair value loss on interest rate swaps	利率掉期公平值虧損	41,455	38,982
		318,624	376,795

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

10. 預期信貸虧損模型下減值虧損，扣除撥回

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Impairment losses recognised on:	就下列各項確認的減值虧損：		
- Other receivables	- 其他應收款項	157	953
Impairment losses reversed on:	就下列各項撥回的減值虧損：		
- Trade receivables - liquid milk product (the Distributors as defined in Note 34)	- 應收貿易賬款 - 液態奶產品(分銷商定義見附註34)	-	(160,451)
- Trade receivables - liquid milk product (other customers)	- 應收貿易賬款 - 液態奶產品(其他客戶)	(152)	(1,837)
		5	(161,335)

Details of impairment assessment are set out in Note 38.

減值評估詳情載列於附註38。



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11. INCOME TAX EXPENSE

11. 所得稅開支

		2020 2020年 RMB'000 人民幣千元	2019 2019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：		
PRC Enterprise Income Tax	中國企業所得稅	639	556

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 law of 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 EIT Law, 16 subsidiaries (2019: 16 subsidiaries) of the Group are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the year ended 31 December 2020.

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 to RMB2,836,473,000 (31 December 2019: RMB1,863,415,000) 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.

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。

中國附屬公司須根據中國企業所得稅法(「企業所得稅法」)就該兩個年度按25%的稅率繳稅。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。根據企業所得稅法現行稅務規則及法規，截至2020年12月31日止年度，本集團的16間附屬公司(2019年：16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，於中國內地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2008年1月1日起生效，並適用於2007年12月31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2,836,473,000元(2019年12月31日：人民幣1,863,415,000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 (continued)

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

11. 所得稅開支(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溢利的對賬：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Profit before tax	除稅前溢利	784,404	350,413
Tax at applicable income tax rate at 25% (2019: 25%)	按適用所得稅稅率25%計算的稅項(2019年：25%)	196,101	87,603
Effect of tax exemption granted to agricultural entities	農業實體免稅待遇的影響	(241,126)	(150,311)
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	42,817	57,486
Effect of tax losses not recognised	未確認稅項虧損的影響	2,916	6,104
Utilisation of tax losses previously not recognised	動用過往未確認稅項虧損	(69)	(326)
Income tax expense	所得稅開支	639	556



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11. INCOME TAX EXPENSE (continued)

As at 31 December 2020, the Group's PRC subsidiaries had unused tax losses of RMB186,239,000 (2019: RMB179,043,000) incurred by non-agricultural business in the PRC. These unused tax losses as at 31 December 2020 will expire in year 2021 to year 2025 as disclosed in the following table 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.

11. 所得稅開支 (續)

於2020年12月31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186,239,000元(2019年：人民幣179,043,000元)。倘於2020年12月31日該等未動用稅項虧損未獲動用，其將於2021年至2025年屆滿，如下表所披露。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。

		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
2020	2020年	-	2,505
2021	2021年	50,434	50,434
2022	2022年	71,287	71,287
2023	2023年	31,704	31,704
2024	2024年	25,996	23,113
2025	2025年	6,818	-
		186,239	179,043

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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：

		2020 2020年					
		Salaries, allowances and benefits- in-kind	Performance related bonuses	Equity- settled share award expense	Retirement benefits scheme contributions	Total	
		薪金、津貼及 實物福利	表現 掛鈎花紅	按股權結算 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	
							(Note v) (附註v)
Executive directors	執行董事						
Ms. Gao Lina	高麗娜女士	-	2,357	67,984	2,588	-	72,929
Mr. Sun Yugang (Note iii)	孫玉剛先生(附註iii)	-	1,458	335	527	55	2,375
Mr. Han Chunlin (Note iii)	韓春林先生(附註iii)	-	1,397	3,791	1,415	121	6,724
Non-executive directors	非執行董事						
Mr. Lu Minfang	盧敏放先生	-	-	-	-	-	-
Mr. Zhang Ping	張平先生	-	-	-	-	-	-
Mr. Zhao Jiejun (Note ii)	趙傑軍先生(附註ii)	-	-	-	-	-	-
Mr. Wolhardt Julian Juul (Note iv)	Wolhardt Julian Juul 先生(附註iv)	-	-	-	-	-	-
Ms. Gan Lu (Note iv)	甘璐女士(附註iv)	-	-	-	-	-	-
Independent non-executive directors	獨立非執行董事						
Mr. Lee Kong Wai Conway	李港衛先生	201	-	-	-	-	201
Mr. Li Shengli	李勝利先生	200	-	-	-	-	200
Mr. Kang Yan (Note iv)	康龔先生(附註iv)	50	-	-	-	-	50
Mr. Wolhardt Julian Juul (Note iv)	Wolhardt Julian Juul 先生(附註iv)	-	-	-	-	-	-
		451	5,212	72,110	4,530	176	82,479

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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

12. 董事及主要行政人員酬金(續)

		2019 2019年					
		Salaries, allowances and benefits- in-kind 薪金、津貼及 實物福利	Performance related bonuses 表現掛鈎花紅	Equity- settled share award expense 按股權結算 股份獎勵開支	Retirement benefits scheme contributions 退休福利 計劃供款	Total	
		Directors' fees 董事袍金	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
		(Note v) (附註v)					
Executive directors	執行董事						
Ms. Gao Lina	高麗娜女士	-	2,302	1,600	2,947	-	6,849
Mr. Han Chunlin (Note iii)	韓春林先生(附註iii)	-	1,360	700	1,643	141	3,844
Non-executive directors	非執行董事						
Mr. Lu Minfang	盧敏放先生	-	-	-	-	-	-
Mr. Wolhardt Julian Juul	Wolhardt Julian Juul 先生	-	-	-	-	-	-
Mr. Zhang Ping	張平先生	-	-	-	-	-	-
Mr. Zhao Jiejun (Note ii)	趙傑軍先生(附註ii)	-	-	-	-	-	-
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	215	-	-	-	-	215
Mr. Li Shengli	李勝利先生	200	-	-	-	-	200
Mr. Kang Yan	康龔先生	200	-	-	-	-	200
		615	3,662	2,300	4,590	141	11,308

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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

Ms. Gao Lina, Mr. Han Chunlin and Mr. Sun Yugang are also the chief executive officer, chief operation officer (resigned on 1 April 2020) and executive vice president (appointed on 1 April 2020) of the Company, respectively. 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 35.

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 2020 (2019: nil).
- ii. Mr. Wen Yongping, a non-executive director, resigned from his office with effect from 15 January 2019, while Mr. Zhao Jiejun was appointed as a non-executive director on the same day.
- iii. Mr. Han Chunlin resigned from his position of executive director with effect from 1 April 2020, while Mr. Sun Yugang was appointed as an executive director on the same day.
- iv. Mr. Kang Yan, an independent non-executive director, resigned from his office with effect from 1 April 2020. Mr. Wolhardt Julian Juul resigned as a non-executive director and was appointed as an independent non-executive director with effect from 1 April 2020. Ms. Gan Lu was appointed as a non-executive director with effect from 1 April 2020.
- v. Performance related bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

12. 董事及主要行政人員酬金(續)

高麗娜女士、韓春林先生及孫玉剛先生分別亦為本公司的總裁、營運總經理(於2020年4月1日辭任)及常務副總裁(於2020年4月1日獲委任)。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35。

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2020年12月31日止年度，概無董事放棄或同意放棄任何薪酬(2019年：無)。
- ii. 非執行董事溫永平先生自2019年1月15日起辭任，而趙傑軍先生於同日獲委任為非執行董事。
- iii. 韓春林先生自2020年4月1日起辭去執行董事職務，而孫玉剛先生於同日獲委任為執行董事。
- iv. 獨立非執行董事康龔先生自2020年4月1日起辭任。Wolhardt Julian Juul先生辭任非執行董事，並自2020年4月1日起獲委任為獨立非執行董事。甘璐女士獲委任為非執行董事，自2020年4月1日起生效。
- v. 表現掛鈎花紅乃基於本集團表現、相關個人於本集團的表現及可資比較市場數據而釐定。



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13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the year included two (2019: two) directors of the Company, details of whose remuneration are included in the disclosures in Note 12 above. Details of the remuneration of the remaining three (2019: three) highest paid individuals for the year are as follows:

13. 五名最高薪酬人士

本集團年內五名最高薪酬人士包括本公司兩名(2019年：兩名)董事，其薪酬詳情披露於上文附註12。年內其餘三名(2019年：三名)最高薪酬人士的薪酬詳情如下：

		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Salaries, allowances and benefits-in-kind	薪金、津貼及實物福利	2,779	2,455
Performance related bonuses	表現掛鈎花紅	2,946	1,692
Retirement benefits scheme contributions	退休福利計劃供款	253	242
Equity-settled share award expense	按股權結算股份獎勵開支	3,932	4,197
		9,910	8,586

No remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2020 (2019: nil).

截至2020年12月31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薪酬，作為加盟本集團或加盟後的獎勵或作為離任補償(2019年：無)。

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13. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands in Hong Kong Dollar (“HK\$”) is as follows:

		2020 2020年	2019 2019年
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	–	1
HK\$3,500,001 to HK\$4,000,000	3,500,001港元至4,000,000港元	2	2
HK\$4,000,001 to HK\$4,500,000	4,000,001港元至4,500,000港元	1	–
		3	3

Certain non-director and non-chief executive highest paid employees were granted share awards, in respect of their services to the Group under the share award scheme of the Company. Details of the share award scheme are set out in Note 35.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the two years ended 31 December 2020. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB2 cents (2019: nil) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. 五名最高薪酬人士 (續)

以港元(「港元」)計值的薪酬屬以下範圍的非本公司董事最高薪酬僱員人數如下：

根據本公司的股份獎勵計劃，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股份獎勵。股份獎勵計劃詳情載於附註35。

14. 股息

概無於截至2020年12月31日止兩個年度向本公司普通股股東派付或擬派任何股息。於匯報期末後，董事建議就截至2020年12月31日止年度派發期末股息每股普通股人民幣2分(2019年：無)，且有關股息須待股東於應屆股東大會上批准後方可作實。



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15. EARNINGS PER SHARE

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

15. 每股盈利

本公司擁有人應佔每股基本及攤薄盈利乃根據以下數據計算：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Earnings	盈利		
Profit for the year attributable to owners of the Company	本公司擁有人應佔年內溢利		
Earnings for the purpose of basic and diluted earnings per share	用於計算每股基本及攤薄盈利的盈利	770,010	341,270
		2020 2020年 Shares 股	2019 2019年 Shares 股
Number of shares	股份數目		
Weighted average number of ordinary shares for the purpose of basic earnings per share	用於計算每股基本盈利的普通股加權平均數	6,380,386,978	6,165,192,978
Effect of dilutive potential ordinary shares:	攤薄潛在普通股的影响：		
Share options	購股權	3,543,748	11,637,831
Share awards	股份獎勵	11,709,826	4,765,434
		6,395,640,552	6,181,596,243

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

計算每股基本盈利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。

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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 2019	於2019年1月1日的結餘	5,156,865	21,043	1,766,381	11,528	6,955,817
Additions	添置	-	689	81,113	113,443	195,245
Transfer	轉撥	53,250	-	54,215	(107,465)	-
Disposals	出售	(15,639)	(1,156)	(124,394)	-	(141,189)
Reclassified as held for sale (Note 27)	重新分類為持有出售(附註27)	(154,659)	-	(46,615)	-	(201,274)
Balance at 31 December 2019	於2019年12月31日的結餘	5,039,817	20,576	1,730,700	17,506	6,808,599
Additions	添置	-	1,171	126,157	204,478	331,806
Transfer	轉撥	130,292	-	39,242	(169,534)	-
Disposals	出售	(28,822)	(253)	(77,638)	-	(106,713)
Balance at 31 December 2020	於2020年12月31日的結餘	5,141,287	21,494	1,818,461	52,450	7,033,692
Accumulated depreciation	累計折舊					
Balance at 1 January 2019	於2019年1月1日的結餘	(1,902,674)	(8,162)	(983,976)	-	(2,894,812)
Charge for the year	年內開支	(326,773)	(989)	(189,192)	-	(516,954)
Eliminated on disposals	出售撇銷	13,713	1,066	96,597	-	111,376
Reclassified as held for sale (Note 27)	重新分類為持有出售(附註27)	104,537	-	26,537	-	131,074
Balance at 31 December 2019	於2019年12月31日的結餘	(2,111,197)	(8,085)	(1,050,034)	-	(3,169,316)
Charge for the year	年內開支	(293,491)	(693)	(160,192)	-	(454,376)
Eliminated on disposals	出售撇銷	21,351	240	69,158	-	90,749
Balance at 31 December 2020	於2020年12月31日的結餘	(2,383,337)	(8,538)	(1,141,068)	-	(3,532,943)
Impairment	減值					
Balance at 1 January 2019	於2019年1月1日的結餘	(110,242)	(63)	(30,015)	-	(140,320)
Impairment loss recognised in profit or loss	已於損益確認減值虧損	(4,328)	-	(40,959)	-	(45,287)
Eliminated on disposal	出售撇銷	1,111	-	281	-	1,392
Balance at 31 December 2019	於2019年12月31日的結餘	(113,459)	(63)	(70,693)	-	(184,215)
Eliminated on disposal	出售撇銷	-	-	1,185	-	1,185
Balance at 31 December 2020	於2020年12月31日的結餘	(113,459)	(63)	(69,508)	-	(183,030)
Carrying amounts	賬面值					
Balance at 31 December 2020	於2020年12月31日的結餘	2,644,491	12,893	607,885	52,450	3,317,719
Balance at 31 December 2019	於2019年12月31日的結餘	2,815,161	12,428	609,973	17,506	3,455,068



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16. PROPERTY, PLANT AND EQUIPMENT

(continued)

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

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

Impairment assessment

The Directors determined that the operation of Modern Farming (Saibei) Co., Ltd. (“**Saibei**”), a subsidiary of the Company, would not be resumed in the foreseeable future. The Group engaged an independent valuer, Asia-Pacific Consulting and Appraisal Limited, to assist it in assessing the recoverable amounts of property, plant and equipment of Saibei. The recoverable amount of RMB23,342,000 (31 December 2019: RMB24,278,000) in respect of the buildings was determined under market method. The Group recognised an impairment loss of RMB45,287,000 in profit or loss for the property, plant and equipment of Saibei during the year ended 31 December 2019 and no further impairment has been recognised during the current year.

16. 物業、廠房及設備(續)

折舊於預期可使用年期限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%

減值評估

董事認為於可見將來本公司附屬公司現代牧業(塞北)有限公司(「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。樓宇可收回金額人民幣23,342,000元(2019年：人民幣24,278,000元)乃按市場法釐定。截至2019年12月31日止年度，本集團對塞北物業、廠房及設備於損益確認減值虧損人民幣45,287,000元，於本年度並無確認進一步減值。

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17. RIGHT-OF-USE ASSETS

17. 使用權資產

		Leasehold lands	Leased properties	Leased machinery and equipment	Total
		租賃土地	租賃物業	租賃機械 及設備	總計
		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
Cost	成本				
Balance at 1 January 2019	於2019年1月1日 的結餘	288,640	–	43,932	332,572
Additions	添置	21,526	730	5,061	27,317
Balance at 31 December 2019	於2019年12月31日 的結餘	310,166	730	48,993	359,889
Additions	添置	615	–	–	615
Modification	修訂	–	(23)	–	(23)
Balance at 31 December 2020	於2020年12月31日 的結餘	310,781	707	48,993	360,481
Accumulated depreciation	累計折舊				
Balance at 1 January 2019	於2019年1月1日 的結餘	(23,462)	–	–	(23,462)
Charge for the year	年內開支	(10,797)	(243)	(5,226)	(16,266)
Balance at 31 December 2019	於2019年12月31日 的結餘	(34,259)	(243)	(5,226)	(39,728)
Charge for the year	年內開支	(11,328)	(350)	(5,226)	(16,904)
Balance at 31 December 2020	於2020年12月31日 的結餘	(45,587)	(593)	(10,452)	(56,632)
Carrying amounts	賬面值				
Balance at 31 December 2020	於2020年12月31日 的結餘	265,194	114	38,541	303,849
Balance at 31 December 2019	於2019年12月31日 的結餘	275,907	487	43,767	320,161

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17. RIGHT-OF-USE ASSETS (continued)

17. 使用權資產(續)

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Expense relating to short-term leases	有關短期租賃的開支	15,305	13,180
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	有關低價值資產租賃 (不包括低價值資產短期租賃)的開支	-	30
Variable lease payments not included in the measurement of lease liabilities	並無計入租賃負債計量的可變租賃付款	13	355
Total cash outflow for leases	租賃現金流出總額	36,429	31,665

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

使用權資產按租期以直線法折舊。

The Group leases lands, properties, machineries and equipments to operate its business. These leases are typically made for fixed terms of 2 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions.

本集團租賃土地、物業、機械及設備以經營其業務。該等租賃通常固定期限為2至50年。租賃條款乃按個別基準磋商，包含不同付款條款及條件。

For some of the leased machineries, the Group is required to make fixed monthly payments and additional variable payments depending on the usage of the asset during the contract period.

對於部分租賃機械，本集團須作出每月固定付款及視乎合約期內使用資產情況作出額外可變付款。

The Group's lease agreements do not contain any contingent rent nor any extension, early termination option or purchase option for lessee.

本集團的租賃協議不包含任何或然租金或承租人的任何延長、提早終止權或購買權。

The Group regularly entered into short-term leases for machineries, motor vehicles and office equipments. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 8.

本集團定期就機械、汽車及辦公設備訂立短期租賃。於2020年及2019年12月31日，短期租賃組合與短期租賃開支於附註8所披露的短期租賃組合相若。

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18. GOODWILL

18. 商譽

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Cost	成本		
At 1 January and 31 December	於1月1日及12月31日	1,535,886	1,535,886
Impairment	減值		
At 1 January	於1月1日	(164,620)	(137,297)
Impairment loss recognised in the year	年內已確認減值虧損	(48,809)	(27,323)
At 31 December	於12月31日	(213,429)	(164,620)
Carrying values	賬面值		
At 31 December	於12月31日	1,322,457	1,371,266

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 CGUs are as follows:

進行減值測試時，商譽歸入兩個個別現金產生單位。歸入該等現金產生單位的商譽賬面值(扣除累計減值虧損)如下：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Modern Farming (Note i)	現代牧業(集團)(附註i)	310,426	310,426
ADH Companies (Note ii)	ADH公司(附註ii)	1,012,031	1,060,840
		1,322,457	1,371,266

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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 purpose 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, being the group 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 a pre-tax discount rate of 12.5% (2019: 12.3%). Cash flows beyond the budgeted period are extrapolated using a 2.5% (2019: 2.5%) growth rate. Other key assumptions for the value in use calculation include the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg of raw milk. 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 purpose of impairment testing, the 2015 Goodwill has been allocated to the ADH Companies, being the group 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 a pre-tax discount rate of 12.5% (2019: 12.3%). Cash flows beyond the budgeted period are extrapolated using a 2.5% (2019: 2.5%) growth rate. Other key assumptions for the value in use calculation include the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and estimated feed costs per kg of raw milk. Such assumptions are based on the unit's past performance and management's expectations for the market development.

Due to increase of the feed costs and decrease of the milk yield, an impairment loss of RMB48,809,000 (2019: RMB27,323,000) was recognised in the year, being the excess of the carrying amount of the ADH CGU over the recoverable amount of RMB2,630,478,000 (2019: RMB2,514,830,000) 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2009年收購現代牧業(集團)有限公司(「現代牧業(集團)」)而產生(「2009年商譽」)。因此，進行減值測試時，2009年商譽已歸入現代牧業(集團)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(集團)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(集團)現金產生單位的可收回金額按照使用價值計算釐定，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，稅前貼現率為12.5%(2019年：12.3%)。預算期限以外的現金流量使用2.5%(2019年：2.5%)的增長率推算。計算使用價值的其他主要假設包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。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(集團)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2015年收購Asia Dairy Holdings及Asia Dairy Holdings II(「該等ADH公司」)而產生(「2015年商譽」)。進行減值測試時，2015年商譽已歸入該等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計算釐定，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，稅前貼現率為12.5%(2019年：12.3%)。預算期限以外的現金流量使用2.5%(2019年：2.5%)的增長率推算。計算使用價值的其他主要假設包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。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。

由於飼養成本增加及產奶量下降，故於年內已確認減值虧損人民幣48,809,000元(2019年：人民幣27,323,000元)，即ADH現金產生單位賬面值超出根據上述使用價值計算而釐定的可收回金額人民幣2,630,478,000元(2019年：人民幣2,514,830,000元)。

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19. INTERESTS IN ASSOCIATES

19. 於聯營公司的權益

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Cost of investments in associates	於聯營公司的投資成本	198,938	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	90,922	59,352
		289,860	215,392

Details of the Group's interests in associates are as follows:

本集團於聯營公司的權益詳情如下：

Name of company 公司名稱	Place of establishment 成立地點	Proportion of ownership interest 擁有權益比例		Voting rights 投票權		Principal activities 主要業務
		31/12/2020 2020年 12月31日 %	31/12/2019 2019年 12月31日 %	31/12/2020 2020年 12月31日 %	31/12/2019 2019年 12月31日 %	
HeFei Mengniu Modern Farming Dairy Products Co., Ltd. ("Feidong") 合肥蒙牛現代牧業乳制品有限公司(「肥東」)	The PRC 中國	49.09	49.09	49.00	49.00	Liquid milk producing 生產液態奶
Modern Farming (Bengbu) Co., Ltd. ("Bengbu") 現代牧業(蚌埠)有限公司(「蚌埠」)	The PRC 中國	49.09	49.09	49.00	49.00	Liquid milk producing 生產液態奶
Jiangyin Dairy Energy Environment Technology Co., Ltd ("Jiangyin Dairy Energy") (Note) 江陰牧能環境科技有限公司(「江陰牧能」) (附註)	The PRC 中國	29.45	29.45	30.00	30.00	Power generation 能源生產

Note: On 23 August 2019, Modern Farming and Jiangsu Agriculture Environment Energy Technology Co., Ltd., an entity designated by CITIC Environment Investment Group Co., Ltd., entered into an agreement in relation to the formation of Jiangyin Dairy Energy, pursuant to which Modern Farming holds 30% equity interest of Jiangyin Dairy Energy. During the current year, Modern Farming has contributed cash of RMB42,898,000 as capital injection in Jiangyin Dairy Energy. Jiangyin Dairy Energy acquired the entire equity interests in Modern Energy (Wuhe) Co., Ltd. ("Wuhe Energy") and Modern Energy (Hefei) Co., Ltd. ("Hefei Energy"), then wholly-owned subsidiaries of Modern Farming, in January 2020. Further details of the transaction are set out in Note 36.

附註：於2019年8月23日，現代牧業(集團)與中信環境投資集團有限公司指定的實體江蘇農環能源科技有限公司就成立江陰牧能訂立協議，據此，現代牧業(集團)持有江陰牧能30%股權。於本年度，現代牧業(集團)注資現金人民幣42,898,000元，作為江陰牧能的注資。江陰牧能於2020年1月收購現代能源(五河)有限公司(「五河能源」)及現代能源(合肥)有限公司(「合肥能源」)的全部股權(均為現代牧業(集團)當時的全資附屬公司)。有關交易的進一步詳情載於附註36。

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19. INTERESTS IN ASSOCIATES (continued)

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.

Feidong

19. 於聯營公司的權益(續)

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。

於該等綜合財務報表內，所有該等聯營公司皆使用權益法入賬。

肥東

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Current assets	流動資產	80,463	82,680
Non-current assets	非流動資產	149,987	161,360
Current liabilities	流動負債	41,991	68,875
Non-current liabilities	非流動負債	11,295	11,954
Revenue	收入	278,026	286,457
Profit and total comprehensive income for the year	年內溢利及全面收入總額	13,953	22,861
Adjustments due to the difference between the carrying value and fair value of the Group's remaining interests in Feidong on the date of disposal	於出售日期本集團於肥東餘下權益的賬面值與公平值之間差額導致的調整	(1,094)	(2,018)
		12,859	20,843

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19. INTERESTS 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:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Net assets of Feidong	肥東淨資產	177,164	163,211
Proportion of Modern Farming's ownership interest in Feidong	現代牧業(集團)於肥東的擁有權益比例	50%	50%
The Group's share of net assets of Feidong	本集團分佔肥東淨資產	88,582	81,606
Goodwill	商譽	251	251
Fair value adjustments	公平值調整	830	1,377
		89,663	83,234

Bengbu

蚌埠

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Current assets	流動資產	293,724	265,424
Non-current assets	非流動資產	146,580	167,302
Current liabilities	流動負債	122,809	164,304
Non-current liabilities	非流動負債	10,917	13,488



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19. INTERESTS IN ASSOCIATES (continued)

Bengbu (continued)

19. 於聯營公司的權益(續)

蚌埠(續)

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Revenue	收入	842,279	748,188
Profit and total comprehensive income for the year	年內溢利及全面收入總額	51,644	49,139
Adjustments due to the difference between the carrying value and fair value of the Group's remaining interests in Bengbu on the date of disposal	於出售日期本集團於蚌埠餘下權益的賬面值與公平值之間差額導致的調整	(2,444)	(1,024)
		49,200	48,115

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：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Net assets of Bengbu	蚌埠淨資產	306,578	254,934
Proportion of Modern Farming's ownership interest in Bengbu	現代牧業(集團)於蚌埠的擁有權益比例	50%	50%
The Group's share of net asset of Bengbu	本集團分佔蚌埠淨資產	153,289	127,467
Goodwill	商譽	33	33
Fair value adjustments	公平值調整	3,436	4,658
		156,758	132,158

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19. INTERESTS IN ASSOCIATES (continued)

Information of an associate that is not individually material

Jiangyin Dairy Energy

19. 於聯營公司的權益(續)

個別並非重大的聯營公司資料

江陰牧能

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
The Group's share of profit of Jiangyin Dairy Energy	本集團應佔江陰牧能溢利	541	-
Carrying amount of the Group's interests in Jiangyin Dairy Energy	本集團於江陰乳業的權益賬面值	43,439	-

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

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Unquoted equity investments	未報價權益投資	5,080	3,959

The above unlisted equity investments represent the Group's equity interest in private entities 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 for 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。由於董事相信該等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。

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21. BIOLOGICAL ASSETS

A – Nature of activities

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

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

		2020 2020年 heads 頭	2019 2019年 heads 頭
Milkable cows	奶牛	136,203	135,185
Heifers and calves	小母牛及小牛	111,168	98,433
Total dairy cows	乳牛總計	247,371	233,618

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 months' 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.

21. 生物資產

A – 業務性質

本集團的生物資產為持有作生產原料奶的乳牛。

以下是本集團於報告期末擁有的乳牛數量。本集團的奶牛是養來產奶的乳牛。小母牛及小牛都是未滿產奶年齡的乳牛。

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。

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21. BIOLOGICAL ASSETS (continued)**A – Nature of activities** (continued)

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

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

i. Regulatory and environmental risks

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

ii. Climate, disease and other natural risks

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

B – Quantity of the agricultural produce of the Group's biological assets**21. 生物資產** (續)**A – 業務性質** (續)

當小母牛開始產原料奶時，乃按轉撥日期的估計公平值轉撥至奶牛類別。

本集團面臨與其生物資產有關的多種風險。本集團面臨以下運營風險：

i. 法規及環境風險

本集團須遵守其開展農場種植及育種活動所在地的法律及法規。本集團已制定旨在遵守當地環境及其他法律的環境政策及程序。管理層進行定期檢查以識別環境風險及確保現有系統足以管理該等風險。

ii. 氣候、疾病及其他自然風險

本集團的生物資產面臨遭受氣候變化、疾病及其他自然因素損害的風險。本集團已擴展監察及減輕該等風險的程序，包括定期檢查及疾病控制與調查及保險。

B – 本集團生物資產的農業生產的數量

		2020 2020年 kg 千克	2019 2019年 kg 千克
Volume of milk sold	奶銷量	1,456,962,000	1,365,739,000



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21. BIOLOGICAL ASSETS (continued)

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:

21. 生物資產(續)

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：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	
Milkable cows	奶牛	5,084,343	5,543,159	
Heifers and calves	小母牛及小牛	2,016,900	1,916,200	
Total dairy cows	乳牛總計	7,101,243	7,459,359	
		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 2019	於2019年1月1日的結餘	2,081,100	5,636,013	7,717,113
Feeding cost and other related costs	飼養成本及其他相關成本	1,388,057	-	1,388,057
Transfer	轉撥	(1,665,379)	1,665,379	-
Decrease due to disposal	出售導致減少	(93,387)	(513,203)	(606,590)
Gain (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收益(虧損)	205,809	(1,245,030)	(1,039,221)
Balance at 31 December 2019	於2019年12月31日的結餘	1,916,200	5,543,159	7,459,359
Feeding cost and other related costs	飼養成本及其他相關成本	1,332,078	-	1,332,078
Transfer	轉撥	(1,680,627)	1,680,627	-
Decrease due to disposal	出售導致減少	(108,330)	(550,548)	(658,878)
Gain (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收益(虧損)	557,579	(1,588,895)	(1,031,316)
Balance at 31 December 2020	於2020年12月31日的結餘	2,016,900	5,084,343	7,101,243

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21. BIOLOGICAL ASSETS (continued)

C – Value of dairy cows (continued)

The Group has engaged Jones Lang LaSalle Corporate Appraisal And Advisory Limited, an independent firm of professional valuers, 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 valuation was 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 40.

As at 31 December 2020, the Group's dairy cows in the amount of RMB754,014,000 (2019: RMB838,666,000) were pledged to banks to secure certain bank borrowings granted to the Group (Note 29).

The aggregate gain or loss arising on initial recognition of raw milk and from the changes in fair value less costs to sell of dairy cows is analysed as follows:

21. 生物資產(續)

C – 乳牛的價值(續)

本集團已委聘仲量聯行企業評估及諮詢有限公司(獨立專業估值公司)協助其評估本集團乳牛的公平值。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40。

於2020年12月31日，本集團人民幣754,014,000元(2019年：人民幣838,666,000元)的奶牛已抵押予銀行，作為授予本集團的若干銀行借款的擔保(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：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	於收穫時按公平值減銷售成本初始確認原料奶產生的收益	2,277,414	1,938,360
Loss arising from changes in fair value less costs to sell of dairy cows	乳牛公平值變動減乳牛銷售成本產生的虧損	(1,031,316)	(1,039,221)
		1,246,098	899,139

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22. INVENTORIES

22. 存貨

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Feeds	飼料	1,108,020	1,032,634
Others	其他	50,623	45,857
		1,158,643	1,078,491

23. TRADE AND OTHER RECEIVABLES AND ADVANCE PAYMENTS

23. 應收貿易賬款及其他應收款項以及預付款項

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Trade receivables	應收貿易賬款	639,768	550,205
Less: allowance for credit losses	減：信貸虧損撥備	(8,483)	(8,635)
		631,285	541,570
Advance payments for feeds, materials and others	飼料、材料及其他墊款	47,736	64,819
Input value added tax recoverable	可收回進項增值稅	2,938	2,591
Receivables from disposal of property, plant and equipment	出售物業、廠房及設備的應收款項	999	4,015
Receivables from disposal of subsidiaries (Note 36)	出售附屬公司的應收款項(附註36)	7,406	-
Short-term loan receivables (Note)	短期應收貸款(附註)	8,092	-
Others	其他	8,203	5,293
		706,659	618,288

Note: On 18 September 2020, Modern Farming (Chabei) Co., Ltd. ("Chabei"), a wholly-owned subsidiary of Modern Farming, entered into a loan agreement with a third party under the direction of local government, pursuant to which, Chabei provided a loan of RMB8,000,000 to the third party. The loan is unsecured and bears interest at 5.225% per annum and will mature in 8 months.

附註：於2020年9月18日，現代牧業(集團)的全資附屬公司現代牧業(察北)有限公司(「察北」)在地方政府牽頭下與第三方訂立貸款協議，據此，察北向第三方提供人民幣8,000,000元的貸款。該筆貸款為無抵押並按年利率5.225%計息，且將於八個月內到期。

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23. TRADE AND OTHER RECEIVABLES AND ADVANCE PAYMENTS (continued)

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB697,756,000.

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk. The Group allows a credit period of 30 days to its customers.

The following is the aged analysis of trade receivables, net of allowance for credit losses, 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:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Trade receivables – within 30 days	應收貿易賬款 – 30天以內	631,285	541,570

Details of impairment assessment of trade and other receivables are set out in Note 38.

23. 應收貿易賬款及其他應收款項以及預付款項(續)

於2019年1月1日，來自客戶合約的應收貿易賬款為人民幣697,756,000元。

報告期末的應收貿易賬款主要指銷售原料奶的應收款項。本集團給予其客戶30天的信貸期。

於報告期末按發票日期(與報告期末有關收入確認日期相若)呈列的應收貿易賬款(扣除信貸虧損撥備)的賬齡分析如下：

應收貿易賬款及其他應收款項減值評估詳情載列於附註38。

24. DERIVATIVE FINANCIAL INSTRUMENTS**24. 衍生金融工具**

		Assets 資產		Liabilities 負債	
		31 December 2020 2020年 12月31日 RMB'000 人民幣千元	31 December 2019 2019年 12月31日 RMB'000 人民幣千元	31 December 2020 2020年 12月31日 RMB'000 人民幣千元	31 December 2019 2019年 12月31日 RMB'000 人民幣千元
Interest rate swaps (Note i)	利率掉期(附註i)	–	4,325	(52,264)	(15,134)
Foreign currency forward contracts (Note ii)	外匯遠期合約(附註ii)	11,145	53,505	–	(140)
Foreign currency option contracts (Note ii)	外匯期權合約(附註ii)	–	31,713	(31,074)	–
		11,145	89,543	(83,338)	(15,274)
Analysed as:	分析為：				
Current	流動	11,145	89,543	(59,338)	(15,274)
Non-current	非流動	–	–	(24,000)	–
		11,145	89,543	(83,338)	(15,274)

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24. DERIVATIVE FINANCIAL INSTRUMENTS

24. 衍生金融工具(續)

(continued)

Notes:

附註：

i. Major terms of the interest rate swaps are as follows:

i. 利率掉期主要條款如下：

Nominal amount
名義金額

Swaps
掉期

At 31 December 2020

於2020年12月31日

United States Dollars (“US\$”) 542,300,000

542,300,000美元(「美元」)

HK\$1,500,000,000

1,500,000,000港元

From LIBOR* to 0.66%-1.90%

自倫敦銀行同業拆息*至0.66%至1.90%

From HIBOR* to 2.59%-2.62%

自香港銀行同業拆息*至2.59%至2.62%

At 31 December 2019

於2019年12月31日

US\$300,000,000

300,000,000美元

HK\$1,500,000,000

1,500,000,000港元

From LIBOR to 1.53%-1.54%

自倫敦銀行同業拆息至1.53%至1.54%

From HIBOR to 2.59%-2.62%

自香港銀行同業拆息至2.59%至2.62%

* London Interbank Offered Rate (“LIBOR”)

* 倫敦銀行同業拆息(「倫敦銀行同業拆息」)

Hong Kong Interbank Offered Rate (“HIBOR”)

香港銀行同業拆息(「香港銀行同業拆息」)

The Group entered into several interest rate swaps contracts with certain banks to hedge the risk of interest rate fluctuation arising from certain bank loans at floating interest rate. The fair value changes of the swaps were recognised as a deduction of finance costs.

本集團與若干銀行訂立若干利率掉期合約，以對沖若干按浮動利率的銀行貸款產生的利率波動風險。掉期的公平值變動確認為扣除融資成本。

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24. DERIVATIVE FINANCIAL INSTRUMENTS

24. 衍生金融工具(續)

(continued)

Notes: (continued)

附註：(續)

- ii. Major items of the foreign currency forward contracts and the foreign currency option contracts are as follows:

- ii. 外匯遠期合約及外匯期權合約主要項目如下：

Nominal amount
名義金額

Forward exchange rates
遠期匯率

At 31 December 2020

於2020年12月31日

HK\$1,230,390,000

1,230,390,000港元

US\$0.1274 to US\$0.1280: HK\$1

0.1274美元至0.1280美元兌1港元

At 31 December 2019

於2019年12月31日

US\$187,700,000

187,700,000美元

HK\$1,230,390,000

1,230,390,000港元

RMB6.4800 to RMB7.0000: US\$1

人民幣6.4800元至人民幣7.0000元兌1美元

US\$0.1274 to US\$0.1280: HK\$1

0.1274美元至0.1280美元兌1港元

Nominal amount
名義金額

Type
類型

Position
好倉／淡倉

Prices
價格

At 31 December 2020

於2020年12月31日

US\$257,000,000*

257,000,000美元*

Call

認購

Long

好倉

RMB6.7000 to RMB6.8790: US\$1

人民幣6.7000元至人民幣6.8790元兌1美元

Put

認沽

Short

淡倉

RMB6.7000 to RMB6.8790: US\$1

人民幣6.7000元至人民幣6.8790元兌1美元

Call

認購

Short

淡倉

RMB7.1000 to RMB7.3000: US\$1

人民幣7.1000元至人民幣7.3000元兌1美元

At 31 December 2019

於2019年12月31日

US\$217,000,000*

217,000,000美元*

Call

認購

Long

好倉

RMB6.7000 to RMB6.8900: US\$1

人民幣6.7000元至人民幣6.8900元兌1美元

Put

認沽

Short

淡倉

RMB6.7000 to RMB6.8900: US\$1

人民幣6.7000元至人民幣6.8900元兌1美元

Call

認購

Short

淡倉

RMB7.1000 to RMB7.3000: US\$1

人民幣7.1000元至人民幣7.3000元兌1美元

US\$26,300,000*

26,300,000美元*

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

US\$26,000,000

26,000,000美元

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.

* 該等為貨幣認購／認沽期權組合。



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24. DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

Notes: (continued)

- ii. Major items of the foreign currency forward contracts and the foreign currency option contracts are as follows: (continued)

The Group entered into several foreign currency forward contracts and foreign currency option contracts with certain banks to hedge the currency risk arising from certain of its bank loans denominated in US\$ and HK\$. The fair value changes of the foreign currency forward contracts and the foreign currency option contracts were recognised in other gains and losses.

- iii. The valuation techniques used in determination of fair values of the interest rate swaps, foreign currency forwards and foreign currency options are disclosed in Note 40.

24. 衍生金融工具(續)

附註：(續)

- ii. 外匯遠期合約及外匯期權合約主要項目如下：(續)

本集團與若干銀行訂立若干外匯遠期合約及外匯期權合約，以對沖若干以美元及港元計值的銀行貸款產生的貨幣風險。外匯遠期合約及外匯期權合約的公平值變動於其他收益及虧損中確認。

- iii. 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40。

25. OTHER FINANCIAL ASSETS

25. 其他金融資產

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Structured bank deposits	結構性銀行存款	50,000	-

The balances represented short-term deposits placed within reputable banks in the PRC with variable interest rate determined by reference to change in foreign currency exchange rates and will mature on 29 March 2021. These deposits are stated at FVTPL.

結餘指存放於中國信譽良好銀行的短期存款，可變利率乃參考外幣匯率變動而釐定，並將於2021年3月29日到期。該等存款按公平值計入損益列賬。

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26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

26. 已質押銀行存款以及銀行結餘及現金

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Pledged bank deposits	已質押銀行存款		
Current (Note i)	流動(附註i)	34,503	80,122
Non-current (Note ii)	非流動(附註ii)	122,706	-
		157,209	80,122

Notes:

- i. The current pledged bank deposits carry interest at prevailing market rates ranging from 0.30% to 1.80% (31 December 2019: 0.30% to 1.95%) per annum and represent deposits pledged for letter of credit and bills payable.
- ii. The non-current pledged bank deposits represent deposits which will mature in May 2023 and carry interest at prevailing market rates of 3.58% per annum and have been pledged for bank borrowings.

附註：

- i. 流動已質押銀行存款按每年介乎0.30%至1.80%(2019年12月31日：0.30%至1.95%)的現行市場利率計息，並作為信用證及應付票據的質押存款。
- ii. 非流動已質押銀行存款指將於2023年5月到期的存款，並按每年3.58%的現行市場利率計息，且已作為銀行借款的質押。



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26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

26. 已質押銀行存款以及銀行結餘及現金(續)

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Bank balances and cash	銀行結餘及現金		
Bank balances and cash	銀行結餘及現金		
Cash on hand	手頭現金	10	20
Bank balances	銀行結餘	1,144,337	961,074
		1,144,347	961,094
Time deposits with original maturity over three months (Note i)	原到期日超過三個月的定期存款(附註i)	41,215	67,653
Cash and cash equivalents as stated in the consolidated statement of cash flows (Note ii)	綜合現金流量表所示現金及現金等價物(附註ii)	1,103,132	893,441
Bank balances and cash	銀行結餘及現金	1,144,347	961,094
Analysed as:	分析為：		
Current	流動	1,123,710	961,094
Non-current	非流動	20,637	-
		1,144,347	961,094

Notes:

- i. Time deposits with original maturity over three months were held within banks and carry interest at prevailing market rate of 0.36% to 3.70% (31 December 2019: 1.70% to 1.79%) per annum at 31 December 2020.
- ii. Cash and cash equivalents comprise cash, cash at banks and short-term time deposits with original maturities of three months or less which are held within banks and carry interest at prevailing market rate of 0.01% to 1.50% (31 December 2019: 0.30% to 2.64%) per annum at 31 December 2020.

附註：

- i. 於2020年12月31日，存入銀行的原到期日超過三個月的定期存款按每年0.36%至3.70%(2019年12月31日：1.70%至1.79%)的現行市場利率計息。
- ii. 於2020年12月31日，現金及現金等價物包括現金、銀行現金及存入銀行按現行市場利率每年0.01%至1.50%(2019年12月31日：0.30%至2.64%)計息的原到期日為三個月或以內的短期定期存款。

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26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

Pledged bank deposits and bank balances and cash at 31 December 2020 and 2019 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 bank balances that are denominated in currencies other than the functional currency of the relevant entities are set out below:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
US\$	美元	134,071	58,893
EUR	歐元	255	909
HK\$	港元	46,305	38,432

27. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 31 December 2019, Modern Farming entered into two share transfer agreements (the "Transfer Agreements") with Jiangyin Dairy Energy (an associate of the group), pursuant to which Modern Farming agreed to sell, and Jiangyin Dairy Energy agreed to acquire, the entire equity interests in Wuhe Energy and Hefei Energy (Wuhe Energy and Hefei Energy are collectively referred to as the "Two Energy Companies"), the then wholly-owned subsidiaries of Modern Farming which were spun off in July 2019 as further disclosed in Note 43 (iii), at an aggregate cash consideration of RMB148,124,000.

26. 已質押銀行存款以及銀行結餘及現金(續)

於2020年及2019年12月31日的已質押銀行存款以及銀行結餘及現金乃以美元、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銀行結餘載列如下：

27. 分類為持作出售的出售組別

於2019年12月31日，現代牧業(集團)與江陰牧能(本集團之聯營公司)訂立兩份股權轉讓協議(「轉讓協議」)，據此，現代牧業(集團)同意出售，而江陰牧能同意收購現代牧業(集團)於五河能源及合肥能源(五河能源及合肥能源統稱「兩間能源公司」，均為現代牧業(集團)當時的全資附屬公司)的全部股權，其於2019年7月分拆(於附註43(iii)進一步披露)，現金代價合共為人民幣148,124,000元。

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27. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

The assets and liabilities attributable to Wuhe Energy and Hefei Energy, which are expected to be sold within twelve months as at 31 December 2019, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position on 31 December 2019. The disposal was completed in January 2020. Further details of the transaction are set out in Note 36.

The major classes of assets and liabilities classified as held for sale are as follows:

27. 分類為持作出售的出售組別(續)

五河能源及合肥能源應佔資產及負債(預期於2019年12月31日的十二個月內售出)已分類為持作出售的出售組別並於2019年12月31日在綜合財務狀況表內分開呈列。有關出售已於2020年1月完成。有關交易的進一步詳情載於附註36。

分類為持作出售的資產及負債主要類別如下：

		Wuhe Energy 五河能源 RMB'000 人民幣千元	Hefei Energy 合肥能源 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	49,723	20,477	70,200
Inventories	存貨	21	74	95
Trade and other receivables	應收貿易賬款及其他 應收款項	324	68	392
Bank balances and cash	銀行結餘及現金	365	398	763
		50,433	21,017	71,450
Trade and other payables	應付貿易賬款及其他 應付款項	(1,007)	(1,189)	(2,196)

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28. TRADE AND OTHER PAYABLES

The credit period granted by suppliers for trade purchases is generally within 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天以內。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：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Trade payables	應付貿易賬款		
– within 60 days	– 60天以內	610,589	905,457
– beyond 60 days but within 120 days	– 超過60天但於120天以內	146,753	213,925
– beyond 120 days but within 360 days	– 超過120天但於360天以內	44,539	18,536
– beyond 360 days but within 720 days	– 超過360天但於720天以內	15,015	16,747
Bills payable (Note)	應付票據(附註)	15,659	2,841
		832,555	1,157,506
Payable for acquisition of property, plant and equipment	購買物業、廠房及設備應付款項	217,521	140,350
Accrued staff costs	應計員工成本	212,269	113,503
Advance payments from disposal of dairy cows	就出售乳牛的預收款項	27,093	20,733
Others	其他	121,348	89,596
		1,410,786	1,521,688

Note: Bills payable are with maturities within twelve months from the respective issuance dates.

附註：應付票據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

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Bank borrowings:	銀行借款：		
Unsecured	無抵押	5,281,002	5,320,114
Secured (Note)	有抵押(附註)	361,324	218,360
		5,642,326	5,538,474
Carrying amounts repayable:	應償還賬面值：		
Within one year	一年以內	3,471,314	3,822,643
Between one to two years	一年至兩年內	703,519	1,525,831
Between two to five years	兩年至五年內	1,467,493	190,000
		5,642,326	5,538,474
Less: Amounts due within one year shown under current liabilities	減：於流動負債項下列示 一年內到期款項	3,471,314	3,822,643
		2,171,012	1,715,831

Note: Certain bank borrowings as at 31 December 2020 and 2019 were secured by biological assets and bank deposits owned by the Group as set out in Note 21 and Note 26 respectively.

附註：於2020年及2019年12月31日的若干銀行借款由本集團擁有的生物資產及銀行存款(分別載於附註21及附註26)作抵押。

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29. BANK BORROWINGS (continued)

The bank borrowings comprise:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Fixed-rate borrowings	定息借款	2,230,939	1,449,411
Variable-rate borrowings	浮息借款	3,411,387	4,089,063
		5,642,326	5,538,474

In September 2017, the Company entered into a bank loan arrangement with several banks, under which the Group was allowed to borrow US\$300,000,000 loan from the banks at floating interest rate determined as 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) in 2017 and withdrew US\$130,000,000 (equivalent to RMB824,668,000) in 2018. The borrowings were fully repaid during the current year and the effective interest rate was 4.18% per annum.

In September 2018, the Company entered into a facility agreement with several banks, under which the Group was allowed to borrow HK\$1,500,000,000 loan from the banks at floating interest rate determined as HIBOR+1.7% per annum and the upfront fee amounted to HK\$27,000,000 (equivalent to RMB24,187,000). The Group withdrew HK\$1,500,000,000 (equivalent to RMB1,284,780,000) and partially repaid HK\$270,000,000 (equivalent to RMB243,000,000) in 2019, and the effective interest rate is 5.17% per annum.

29. 銀行借款(續)

銀行借款包括：

於2017年9月，本公司與若干銀行訂立銀行貸款安排，據此，本集團獲准自銀行借入貸款300,000,000美元，每年按倫敦銀行同業拆息+1.9%的浮動利率及為數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2017年提取170,000,000美元(相當於人民幣1,127,603,000元)，並於2018年提取130,000,000美元(相當於人民幣824,668,000元)。借款已於本年度悉數償還，且實際年利率為4.18%。

於2018年9月，本公司與若干銀行訂立融資協議，據此，本集團獲准自銀行借入貸款1,500,000,000港元，每年按香港銀行同業拆息+1.7%的浮動利率及為數27,000,000港元(相當於人民幣24,187,000元)的前期付款計息。本集團於2019年提取1,500,000,000港元(相當於人民幣1,284,780,000元)及部分償還270,000,000港元(相當於人民幣243,000,000元)，且實際年利率為5.17%。



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29. BANK BORROWINGS (continued)

In June 2020, the Company entered into a facility agreement with several banks, under which the Group was allowed to borrow US\$200,000,000 loan from the banks at floating interest rate determined as LIBOR+1.65% per annum and the upfront fee amounted to US\$3,600,000 (equivalent to RMB25,145,000). The Group withdrew US\$200,000,000 (equivalent to RMB1,368,862,000) in 2020, and the effective interest rate is 3.49% per annum.

Save as set out above, the effective interest rates of the Group's bank borrowings equal to contractual interest rates. The effective interest rates per annum are as follows:

		2020 2020年	2019 2019年
Fixed-rate borrowings	定息借款	0.66%-5.00%	3.20%-5.00%
Variable-rate borrowings	浮息借款	1.22%-5.17%	4.28%-5.17%

Interest rate of variable-rate borrowings are determined based on the benchmark lending rate and loan prime rate announced by the People's Bank of China, the LIBOR and the HIBOR.

The bank borrowings are denominated in the following currencies:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
US\$	美元	1,570,957	2,083,136
HK\$	港元	1,031,784	1,095,831
RMB	人民幣	3,039,585	2,359,507
		5,642,326	5,538,474

29. 銀行借款(續)

於2020年6月，本公司與若干銀行訂立融資協議，據此，本集團獲准自銀行借入貸款200,000,000美元，每年按倫敦銀行同業拆息+1.65%的浮動利率及為數3,600,000美元(相當於人民幣25,145,000元)的前期付款計息。本集團於2020年提取200,000,000美元(相當於人民幣1,368,862,000元)，且實際年利率為3.49%。

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、倫敦銀行同業拆息及香港銀行同業拆息公佈的貸款基準利率及貸款最優惠利率而釐定。

銀行借款以下列貨幣計值：

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30. OTHER BORROWINGS

30. 其他借款

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Carrying amounts payable:	應償賬面金額：		
Within one year	一年內		
– Mengniu Entrusted Loan (Note 42(d))	– 蒙牛委託貸款 (附註42(d))	–	1,001,330
– Borrowing from a financial institution (Note)	– 金融機構借款(附註)	–	50,083
		–	1,051,413
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	–	1,051,413
Amounts due after one year	一年後到期款項	–	–

Note: On 26 February 2019, the Group entered into a loan agreement with a financial institution, pursuant to which the Group borrowed RMB50,000,000 from the financial institution which matured on 28 February 2020. The loan is unsecured and bears a fixed interest rate of 5.00% per annum. The borrowing was repaid upon expiry.

附註：於2019年2月26日，本集團與一間金融機構訂立一份貸款協議，據此，本集團向該金融機構借入人民幣50,000,000元，於2020年2月28日到期。貸款為無抵押且每年固定利率為5.00%。借款於到期時償還。

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31. LEASE LIABILITIES

31. 租賃負債

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Lease liabilities payable:	應付租賃負債：		
Within one year	一年內	23,851	23,238
Within a period of more than one year but not exceeding two years	一年以上但不超過兩年的 期間內	10,572	9,676
Within a period of more than two years but not exceeding five years	兩年以上但不超過五年的 期間內	32,708	31,458
Within a period of more than five years	超過五年的期間內	152,762	164,975
		219,893	229,347
Less: Amount due for settlement within 12 months shown under current liabilities	減：於流動負債項下列示 12個月內結算款項	(23,851)	(23,238)
Amount due for settlement after 12 months shown under non-current liabilities	於非流動負債項下列示 12個月後結算款項	196,042	206,109

The lease liabilities are measured at the present value of the lease payments that are not yet paid. The incremental borrowing rates applied by the relevant group entities to lease liabilities range from 4.65% to 5.20% (31 December 2019: from 5.13% to 5.20%) per annum as at 31 December 2020.

租賃負債按未支付的租賃付款現值計量。於2020年12月31日，相關集團實體就租賃負債所應用增量借款利率介乎每年4.65%至5.20%(2019年12月31日：介乎5.13%至5.20%)。

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32. CONTRACT LIABILITIES

32. 合約負債

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Sales of raw milk	銷售原料奶	198	189

As at 1 January 2019, contract liabilities amounted to RMB232,000.

於2019年1月1日，合約負債為人民幣232,000元。

33. DEFERRED INCOME

33. 遞延收入

		Arising from government grants 產生自政府補貼 RMB'000 人民幣千元
Balance at 1 January 2019	於2019年1月1日的結餘	152,689
Addition	添置	24,019
Released to income	撥至收入	(19,030)
Balance at 31 December 2019	於2019年12月31日的結餘	157,678
Addition	添置	46,315
Released to income	撥至收入	(31,131)
Balance at 31 December 2020	於2020年12月31日的結餘	172,862

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

遞延收入指建設及購置物業、廠房及設備獲得的政府補貼。政府補貼在綜合財務狀況表內列作遞延收入，並於有關資產的可使用年期內按直線法計入損益。



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34. SHARE CAPITAL AND SHARE PREMIUM
AND RESERVES

Share capital

34. 股本以及股份溢價及儲備

股本

		Number of shares 股份數目 '000 千股	Share capital 股本 HK\$'000 千港元
Ordinary shares of HK\$0.1 each Authorised At 1 January 2019, 31 December 2019 and 2020	每股0.1港元的普通股 法定 於2019年1月1日、2019年及 2020年12月31日	10,000,000	1,000,000
Issued and fully paid At 1 January 2019 Issue of ordinary shares (Note)	已發行及繳足 於2019年1月1日 發行普通股(附註)	6,131,407 276,228	613,141 27,623
At 31 December 2019	2019年12月31日	6,407,635	640,764
Exercise of Management Options (Note 35(a))	行使管理層購股權 (附註35(a))	50,931	5,093
At 31 December 2020	於2020年12月31日	6,458,566	645,857
		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Presented as	呈列為	555,535	551,007

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34. SHARE CAPITAL AND SHARE PREMIUM
AND RESERVES (continued)

Share premium

34. 股本以及股份溢價及儲備(續)

股份溢價

		Share premium 股份溢價 RMB'000 人民幣千元
Balance at 1 January 2019	於2019年1月1日的結餘	4,641,066
Issue of ordinary shares (Note)	發行普通股(附註)	304,315
At 31 December 2019	於2019年12月31日	4,945,381
Exercise of Management Options (Note 35(a))	行使管理層購股權(附註35(a))	39,701
At 31 December 2020	於2020年12月31日	4,985,082

Note: As at 1 January 2019, the Group recorded trade receivables of gross amount of RMB1,064,879,000 from certain major distributors (the "Distributors") with the security of 318,697,354 ordinary shares of the Company (the "Collaterals") provided by five third-party companies incorporated in the British Virgin Islands (the "Pledgers"). On 18 July 2019, the Company entered into a subscription agreement (the "Subscription Agreement") with New Hope Dairy Co., Ltd. ("New Hope"), pursuant to which the Company has conditionally agreed to allot and issue, and New Hope or its designated subsidiary has conditionally agreed to subscribe, for 276,228,409 shares of the Company (the "Subscription Shares") at a price of RMB1.1920 per share (total consideration of RMB329,264,000). Included in the Subscription Agreement, one of the condition precedent was to sign a tripartite agreement between New Hope, the Company and the Pledgers (the "Tripartite Agreement"), pursuant to which New Hope or its designated subsidiary would agree to purchase the Collaterals at a price of RMB1.1920 per share (total consideration of RMB379,887,000). On 6 August 2019, the Tripartite Agreement has been entered into among New Hope, the Company and the Pledgers.

附註：於2019年1月1日，本集團錄得自若干主要分銷商(「分銷商」)應收貿易賬款總額人民幣1,064,879,000元，並由在英屬處女群島註冊成立的五間第三方公司(「質押人」)持有的本公司普通股318,697,354股作抵押(「抵押品」)。於2019年7月18日，本公司與新希望乳業股份有限公司(「新希望」)訂立認購協議(「認購協議」)，據此，本公司有條件同意配發及發行，而新希望或其指定的附屬公司有條件同意認購本公司每股人民幣1.1920元的276,228,409股股份(「認購股份」)(總代價為人民幣329,264,000元)。載於認購協議的其中一個先決條件為新希望須與本公司及質押人簽署三方協議(「三方協議」)，據此，新希望或其指定附屬公司將同意以每股人民幣1.1920元購買抵押品(總代價為人民幣379,887,000元)。於2019年8月6日，新希望與本公司及質押人之間已訂立三方協議。



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34. SHARE CAPITAL AND SHARE PREMIUM AND RESERVES (continued)

Share premium (continued)

Note: (continued)

On 20 September 2019, all the conditions precedent for the Subscription Agreement had been fulfilled or waived, and a subsidiary of New Hope subscribed for the Subscription Shares of HK\$0.1 each of the Company at a price of RMB1.1920 per ordinary share. An amount of RMB304,315,000, being the excess of the cash consideration of RMB329,264,000 over the par value of the ordinary shares of HK\$27,623,000 (equivalent to approximately RMB24,949,000), was credited to share premium. The proceeds were intended to be used for the business operations and repayment of borrowings of the Group. These new shares rank pari passu with other shares in issue in all respects. Due to the above transactions, New Hope and its subsidiary together acquired a total of 9.28% equity interests in the Company.

Other reserve

34. 股本以及股份溢價及儲備(續)

股份溢價(續)

附註：(續)

於2019年9月20日，根據認購協議的所有先決條件均已達成或豁免，新希望的附屬公司以每股普通股人民幣1.1920元認購本公司每股0.1港元的認購股份。現金代價人民幣329,264,000元超出普通股面值27,623,000港元(相等於約人民幣24,949,000元)的差額人民幣304,315,000元計入股份溢價。所得款項擬用於本集團的業務營運及償還借款。該等新股份於所有方面與其他股份享有同等地位。由於以上交易，新希望及其附屬公司一起收購合共本公司9.28%股權。

其他儲備

		Other reserve 其他儲備 RMB'000 人民幣千元
Balance at 1 January 2019	於2019年1月1日的結餘	979,953
Equity transactions related to interest free loans (Note)	有關免息貸款的權益交易(附註)	(9,124)
At 31 December 2019	於2019年12月31日	970,829
Equity transactions related to interest free loans (Note)	有關免息貸款的權益交易(附註)	(1,561)
At 31 December 2020	於2020年12月31日	969,268

Note: The movement in other reserve for this year represented the portion of the difference between nominal value and amortised cost of interest-free loans granted by the Company to Modern Farming, a non-wholly-owned subsidiary of the Company, which was recognised as owners' contribution to Modern Farming, and proportionally attributable to non-controlling interests.

附註：本年度其他儲備的變動指本公司授予本公司非全資附屬公司現代牧業(集團)的免息貸款面值與攤銷成本之間差額部分，已確認為擁有人對現代牧業(集團)的貢獻，由非控股權益按比例分擔。

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34. SHARE CAPITAL AND SHARE PREMIUM
AND RESERVES (continued)

Shares held under the Share Award Scheme

34. 股本以及股份溢價及儲備(續)

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 2019	於2019年1月1日的結餘	(85,720)
Purchase of ordinary shares for the share award scheme (Note 35(b))	就股份獎勵計劃購買普通股 (附註35(b))	(31,127)
Reversal due to vesting of award shares (Note 35(b))	因獎勵股份歸屬而撥回 (附註35(b))	59,835
Balance at 31 December 2019	於2019年12月31日的結餘	(57,012)
Purchase of ordinary shares for the share award scheme (Note 35(b))	就股份獎勵計劃購買普通股 (附註35(b))	(19,892)
Reversal due to vesting of award shares (Note 35(b))	因獎勵股份歸屬而撥回 (附註35(b))	29,560
Balance at 31 December 2020	於2020年12月31日的結餘	(47,344)



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35. SHARE-BASED PAYMENT TRANSACTIONS

(a) Modern Farming Option Scheme

On 31 October 2010, the Company granted to two directors and one senior management member of Modern Farming a total of 87,412,507 share options of the Company for nil consideration and with an exercise price of HK\$0.86 per share (the "Management Options") which would expire on 29 October 2020. The following table discloses movements of the Management Options during the current year.

Category	Outstanding as at 1 January 2020 於2020年 1月1日 尚未行使	Granted during the year	Exercised during the year	Outstanding as at 31 December 2020 於2020年 12月31日 尚未行使
Management Options 管理層購股權	50,930,832	-	(50,930,832)	-

Category	Outstanding as at 1 January 2019 於2019年 1月1日 尚未行使	Granted during the year	Exercised during the year	Outstanding as at 31 December 2019 於2019年 12月31日 尚未行使
Management Options 管理層購股權	50,930,832	-	-	50,930,832

On 27 August 2020, 50,930,832 ordinary shares with par value of HK\$0.10 each of the Company were issued at a price of HK\$0.86 due to the exercise of the Management Options, resulting in an increase of the share capital of HK\$5,093,000 (equivalent to approximately RMB4,528,000). An amount of HK\$38,708,000 (equivalent to approximately RMB34,415,000), being the excess of the cash consideration of HK\$43,801,000 (equivalent to approximately RMB38,943,000) over the par value of the ordinary shares of RMB4,528,000, was credited to share premium. The amount previously recognised in share options reserve of RMB5,286,000 in relation to the 50,930,832 share options were transferred to share premium.

35. 以股份支付的付款交易

(a) 現代牧業(集團)購股權計劃

於2010年10月31日，本公司以零代價向現代牧業(集團)兩名董事及一名高級管理層成員授出合共87,412,507份本公司購股權，行使價為每股0.86港元(「管理層購股權」)，將於2020年10月29日到期。下表披露管理層購股權於本年度的變動。

於2020年8月27日，由於行使管理層購股權，本公司按每股面值0.10港元發行50,930,832股每股0.86港元的普通股，使股本增加5,093,000港元(相當於約人民幣4,528,000元)。現金代價43,801,000港元(相當於約人民幣38,943,000元)超過普通股面值人民幣4,528,000元的金額38,708,000港元(相當於約人民幣34,415,000元)計入股份溢價。先前有關50,930,832份購股權確認為購股權儲備的金額人民幣5,286,000元轉移至股份溢價。

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35. SHARE-BASED PAYMENT TRANSACTIONS

(continued)

(b) Share Award Scheme

(i) Share Award Scheme I

On 9 September 2016 (the “**Adoption Date I**”), the Company adopted a share award scheme (the “**Share Award Scheme I**”) 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 I is valid and effective for a period of 5 years commencing from the Adoption Date I. The shares to be awarded under the Share Award Scheme I 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 and 2017, based on the Company’s instructions, Dairy Fortune purchased a total of 35,969,000 ordinary shares (the “**Award Shares I**”) of the Company from open market at a total consideration of approximately HK\$69,769,000 (equivalent to approximately RMB62,137,000).

35. 以股份支付的付款交易 (續)

(b) 股份獎勵計劃

(i) 股份獎勵計劃I

於2016年9月9日(「**採納日期I**」)，本公司採納一項股份獎勵計劃(「**股份獎勵計劃I**」)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I有效期五年，自採納日期I起生效。根據股份獎勵計劃I將獎勵的股份由本公司透過 Dairy Fortune (PTC) Limited(「**受託人**」)100%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，直至將有關股份歸屬。Dairy Fortune可購入的股份數目上限為55,000,000股股份。總注資金額不超過70,000,000港元。截至2016年及2017年12月31日止年度，按照本公司指示，Dairy Fortune已從公開市場上收購合計35,969,000股本公司普通股(「**獎勵股份I**」)，總代價約為69,769,000港元(相當於約人民幣62,137,000元)。



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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易 (續)

(continued)

(b) 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 I"), a total of 35,969,000 Award Shares I ("Share Award I") were granted to the selected participants. Out of the total shares granted, 6,637,000 Award Shares I were granted to certain members of management (the "Award Shares A"), which would vest in the third anniversary of the Grant Date I provided that certain performance and service conditions are met. The remaining 29,332,000 Award Shares I were granted to certain members of management and eligible employees (the "Award Shares B"), which would vest in the second anniversary of the Grant Date I provided they are still employed by the Group.

(b) 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的「根據股份獎勵計劃持有的股份」項下。

於2017年4月21日（「授出日期I」），合共35,969,000股獎勵股份I（「股份獎勵I」）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I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I（「獎勵股份B」）則授予若干管理層成員及合資格僱員，於授出日期I的第二個週年歸屬，惟彼等須仍受僱於本集團。

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35. SHARE-BASED PAYMENT TRANSACTIONS 35. 以股份支付的付款交易(續)

(continued)

(b) Share Award Scheme (continued)

(i) Share Award Scheme I (continued)

The following table discloses movements of the Award Shares I during the reporting period:

Category	Outstanding as at 1 January 2020 於2020年 1月1日 尚未行使	Forfeited due to resignation during the year 年內 因辭任沒收	Vested during the year 年內歸屬	Outstanding as at 31 December 2020 於2020年 12月31日 尚未行使
Award Shares A 獎勵股份A	5,325,000	-	(5,325,000)	-
Award Shares B 獎勵股份B	-	-	-	-
	5,325,000	-	(5,325,000)	-

(b) 股份獎勵計劃(續)

(i) 股份獎勵計劃I(續)

下表披露獎勵股份I於報告期間的變動：

Category	Outstanding as at 1 January 2019 於2019年 1月1日 尚未行使	Forfeited due to resignation during the year 年內 因辭任沒收	Vested during the year 年內歸屬	Outstanding as at 31 December 2019 於2019年 12月31日 尚未行使
Award Shares A 獎勵股份A	5,325,000	-	-	5,325,000
Award Shares B 獎勵股份B	22,423,000	(1,412,000)	(21,011,000)	-
	27,748,000	(1,412,000)	(21,011,000)	5,325,000



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FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(i) Share Award Scheme I (continued)

The fair values of Award Shares A and Award Shares B determined at the date of grant using Black-Scholes Model were HK\$7,731,000 (equivalent to RMB6,843,000) and HK\$36,265,000 (equivalent to RMB32,102,000) respectively.

The Group recognised a share award expense of RMB559,000 (2019: RMB4,810,000) in respect of the Share Award I during the current year. A total number of 5,325,000 shares of Award Shares A (2019: 21,011,000 shares of Award Shares B) were vested to certain members of management (2019: management and eligible employees) during the current year, and the difference of RMB3,731,000 (2019: RMB13,234,000) between the RMB5,468,000 (2019: RMB23,063,000) share award reserve and RMB9,199,000 (2019: RMB36,297,000) shares held under the Share Award scheme I for the shares vested was recognised to retained earnings.

(b) 股份獎勵計劃 (續)

(i) 股份獎勵計劃I (續)

獎勵股份A及獎勵股份B於授出日期使用布萊克 - 舒爾茨模式釐定的公平值分別為7,731,000港元(相當於人民幣6,843,000元)及36,265,000港元(相當於人民幣32,102,000元)。

於本年度，本集團確認有關股份獎勵I的股份獎勵開支為人民幣559,000元(2019年：人民幣4,810,000元)。合共5,325,000股獎勵股份A(2019年：21,011,000股獎勵股份B)於本年度歸屬於若干管理層成員(2019年：管理層及合資格僱員)，股份獎勵儲備人民幣5,468,000元(2019年：人民幣23,063,000元)與就所歸屬股份根據股份獎勵計劃I持有的人民幣9,199,000元(2019年：人民幣36,297,000元)股份之間的差額金額人民幣3,731,000元(2019年：人民幣13,234,000元)於保留盈利確認。

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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易(續)

(continued)

(b) 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 from 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, Dairy Fortune purchased a total of 20,000,000 ordinary shares of the Company from open market at a total consideration of approximately HK\$28,835,000 (equivalent to approximately RMB23,583,000). During the year ended 31 December 2019 Dairy Fortune purchased another 19,962,000 ordinary shares from the open market at a total consideration of approximately HK\$22,924,000 (equivalent to approximately RMB20,405,000). During the current year, Dairy Fortune purchased another 20,000,000 ordinary shares from the open market at a total consideration of approximately HK\$17,255,000 (equivalent to RMB15,763,000) and the number of ordinary shares purchased by Dairy Fortune under Share Award Scheme II increased to 59,962,000 shares (the “**Award Shares II**”).

(b) 股份獎勵計劃(續)

(II) 股份獎勵計劃II

於2018年3月26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2018年12月31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(相當於約人民幣23,583,000元)。截至2019年12月31日止年度，Dairy Fortune已從公開市場上收購額外19,962,000股普通股，總代價約為22,924,000港元(相當於約人民幣20,405,000元)。於本年度，Dairy Fortune從公開市場上收購額外20,000,000股普通股，總代價約為17,255,000港元(相當於約人民幣15,763,000元)，Dairy Fortune根據股份獎勵計劃II購買的普通股數目增加至59,962,000股(「**獎勵股份II**」)。



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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

(II-i) Share Award II-i

On 29 March 2019, a total number of 19,962,000 Award Shares II (“**Share Award II-i**”) were granted to the selected participants. Out of the total shares granted, 9,981,000 Award Shares II vested on 21 April 2019 unconditionally (the “**Award Shares C**”). The remaining Award Shares II of 9,981,000 were vested on 21 April 2019 with one year lock-up period beginning from the vesting date (the “**Award Shares D**”).

The following table discloses movements of the Award Shares C and Award Shares D during the reporting period:

Category	Outstanding as at 1 January 2019 於2019年 1月1日 尚未行使	Granted during the year 年內授出	Vested during the year 年內歸屬	Outstanding as at 31 December 2019 於2019年 12月31日 尚未行使
Award Shares C 獎勵股份C	-	9,981,000	(9,981,000)	-
Award Shares D 獎勵股份D	-	9,981,000	(9,981,000)	-
	-	19,962,000	(19,962,000)	-

The fair values of Award Shares C and Award Shares D determined at the date of grant using Asian Option Model were HK\$12,484,000 (equivalent to RMB10,709,000) and HK\$11,698,000 (equivalent to RMB10,034,000), respectively.

(b) 股份獎勵計劃 (續)

(II) 股份獎勵計劃II (續)

(II-i) 股份獎勵II-i

於2019年3月29日，合共19,962,000股獎勵股份II (「**股份獎勵II-i**」) 授予選定參與者。於所有授出股份中，9,981,000股獎勵股份II於2019年4月21日無條件歸屬 (「**獎勵股份C**」)。餘下獎勵股份9,981,000股於2019年4月21日歸屬，自歸屬日期起一年禁售期 (「**獎勵股份D**」)。

下表披露獎勵股份C及獎勵股份D於報告期間的變動：

獎勵股份C及獎勵股份D於授出日期使用亞洲式期權模式釐定的公平值分別為12,484,000港元 (相當於人民幣10,709,000元) 及11,698,000港元 (相當於人民幣10,034,000元)。

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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易(續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

(II-i) Share Award II-i (continued)

The following assumptions were used to calculate the fair values of the Award Shares C and Award Shares D:

		Award Shares C 獎勵股份C	Award Shares D 獎勵股份D
Grant date share price	授出日期的股價	HK\$1.30 1.30港元	HK\$1.30 1.30港元
Strike Price	行使價	HK\$1.30 1.30港元	HK\$1.30 1.30港元
Risk-free interest rate	無風險利率	1.38%	1.44%
Remaining restrict period	剩餘限期	0.06	1.06
Expected volatility	預期波幅	65.87%	43.20%
Dividend yield	股息收益	0.00%	0.00%
Option value	購股權價值	HK\$0.05 0.05港元	HK\$0.13 0.13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 values of the award shares are based on the best estimates of the Directors. Changes in variables and assumptions may result in changes in the fair value of the Award Shares C and Award Shares D.

The Group recognised a share award expense of RMB20,743,000 in respect of the Share Award II-i during the year ended 31 December 2019. All of the Award Shares C and Award Shares D were vested to selected participants during the year ended 31 December 2019, and the difference amount of RMB2,795,000 between the RMB20,743,000 share award reserve and RMB23,538,000 shares held under the Share Award scheme II for the shares vested was recognised in retained earnings.

(b) 股份獎勵計劃(續)

(II) 股份獎勵計劃II(續)

(II-i) 股份獎勵II-i(續)

採用以下假設計算獎勵股份C及獎勵股份D的公平值：

	Award Shares C 獎勵股份C	Award Shares D 獎勵股份D
Grant date share price	HK\$1.30 1.30港元	HK\$1.30 1.30港元
Strike Price	HK\$1.30 1.30港元	HK\$1.30 1.30港元
Risk-free interest rate	1.38%	1.44%
Remaining restrict period	0.06	1.06
Expected volatility	65.87%	43.20%
Dividend yield	0.00%	0.00%
Option value	HK\$0.05 0.05港元	HK\$0.13 0.13港元

預期波幅乃使用本公司股價的歷史波幅釐定。

用於計算獎勵股份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C及獎勵股份D公平值出現變動。

截至2019年12月31日止年度，本集團確認就股份獎勵II-i的股份獎勵開支為人民幣20,743,000元。截至2019年12月31日止年度，所有獎勵股份C及獎勵股份D歸屬於選定參與者，股份獎勵儲備人民幣20,743,000元與就所歸屬股份根據股份獎勵計劃II持有的人民幣23,538,000元股份之間的差額金額人民幣2,795,000元於保留盈利確認。



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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

(II-ii) Share Award II-ii

On 8 January 2020, a total number of 20,000,000 Award Shares II (“**Share Award II-ii**”) were granted to the selected participants. If certain performance and service conditions are met, out of the total shares granted, 10,000,000 Award Shares II would be vested on 21 April 2020 (the “**Award Shares E**”), and the remaining 10,000,000 Award Shares II would be vested on 21 April 2020 with one year lock-up period beginning from the vesting date (the “**Award Shares F**”).

The following table discloses movements of the Award Shares E and Award Shares F during the reporting period:

Category	Outstanding as at 1 January 2020 於2020年 1月1日 尚未行使	Granted during the year 年內授出	Forfeited during the year 年內沒收	Vested during the year 年內歸屬	Outstanding as at 31 December 2020 於2020年 12月31日 尚未行使
Award Shares E 獎勵股份E	-	10,000,000	(40,599)	(9,959,401)	-
Award Shares F 獎勵股份F	-	10,000,000	(40,599)	(9,959,401)	-
	-	20,000,000	(81,198)	(19,918,802)	-

The fair values of Award Shares E and Award Shares F determined at the date of grant using Asian Option Model were HK\$10,993,000 (equivalent to RMB9,821,000) and HK\$10,089,000 (equivalent to RMB9,013,000), respectively.

(b) 股份獎勵計劃 (續)

(II) 股份獎勵計劃II (續)

(II-ii) 股份獎勵II-ii

於2020年1月8日，合共20,000,000股獎勵股份II (「**股份獎勵II-ii**」) 授予選定參與者。倘符合若干表現及服務條件，則於所有授出股份中，10,000,000股獎勵股份II將於2020年4月21日歸屬 (「**獎勵股份E**」) 而餘下10,000,000股獎勵股份II將於2020年4月21日歸屬，自歸屬日期起一年禁售期 (「**獎勵股份F**」)。

下表披露獎勵股份E及獎勵股份F於報告期間的變動：

獎勵股份E及獎勵股份F於授出日期使用亞洲式期權模式釐定的公平值分別為10,993,000港元 (相當於人民幣9,821,000元) 及10,089,000港元 (相當於人民幣9,013,000元)。

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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易(續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

(II-ii) Share Award II-ii (continued)

The following assumptions were used to calculate the fair values of the Award Shares E and Award Shares F:

		Award Shares E 獎勵股份E	Award Shares F 獎勵股份F
Grant date share price	授出日期的股價	HK\$1.14 1.14港元	HK\$1.14 1.14港元
Strike Price	行使價	HK\$1.14 1.14港元	HK\$1.14 1.14港元
Risk-free interest rate	無風險利率	2.03%	1.77%
Remaining restrict period	剩餘限期	0.28	1.28
Expected volatility	預期波幅	30.26%	46.51%
Dividend yield	股息收益	0.00%	0.00%
Option value	購股權價值	HK\$0.04 0.04港元	HK\$0.13 0.13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 values of the award shares are based on the best estimates of the Directors. Changes in variables and assumptions may result in changes in the fair value of the Award Shares E and Award Shares F.

The Group recognised a share award expense of RMB18,759,000 in respect of the Share Award II-ii during the current year. A total number of 19,918,802 shares of Award Shares E and Award Shares F was vested to selected participants during the current period, and the difference amount of RMB1,602,000 between the RMB18,759,000 share award reserve and RMB20,361,000 shares held under the Share Award scheme II for the shares vested was recognised in retained earnings.

(b) 股份獎勵計劃(續)

(II) 股份獎勵計劃II(續)

(II-ii) 股份獎勵II-ii(續)

採用以下假設計算獎勵股份E及獎勵股份F的公平值：

	Award Shares E 獎勵股份E	Award Shares F 獎勵股份F
Grant date share price	HK\$1.14 1.14港元	HK\$1.14 1.14港元
Strike Price	HK\$1.14 1.14港元	HK\$1.14 1.14港元
Risk-free interest rate	2.03%	1.77%
Remaining restrict period	0.28	1.28
Expected volatility	30.26%	46.51%
Dividend yield	0.00%	0.00%
Option value	HK\$0.04 0.04港元	HK\$0.13 0.13港元

預期波幅乃使用本公司股價的歷史波幅釐定。

用於計算獎勵股份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E及獎勵股份F公平值出現變動。

於本年度，本集團就股份獎勵II-ii確認股份獎勵開支為人民幣18,759,000元。於本期間，合共19,918,802股獎勵股份E及獎勵股份F歸屬於選定參與者，股份獎勵儲備人民幣18,759,000元與就所歸屬股份根據股份獎勵計劃II持有的人民幣20,361,000元股份之間的差額金額人民幣1,602,000元於保留盈利確認。



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35. SHARE-BASED PAYMENT TRANSACTIONS

35. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

(II-iii) Share Award II-iii

On 27 March 2020, a total number of 20,000,000 Award Shares II (“**Share Award II-iii**”) were granted to the selected participants. If certain performance and service conditions are met, out of the total shares granted, 10,000,000 Award Shares II will be vested on 21 April 2021 (the “**Award Shares G**”). The remaining Award Shares II of 10,000,000 will be vested on 21 April 2021 with one year lock-up period beginning from the vesting date (the “**Award Shares H**”).

The following table discloses movements of the Award Shares G and Award Shares H during the reporting period:

Category	Outstanding as at 1 January 2020 於2020年1月1日 尚未行使	Granted during the year 年內授出	Forfeited during the year 年內沒收	Outstanding as at 31 December 2020 於2020年12月31日 尚未行使
Award Shares G 獎勵股份G	-	10,000,000	(680,000)	9,320,000
Award Shares H 獎勵股份H	-	10,000,000	(680,000)	9,320,000
	-	20,000,000	(1,360,000)	18,640,000

The fair values of Award Shares G and Award Shares H determined at the date of grant using Asian Option Model were HK\$6,010,000 (equivalent to RMB5,459,000) and HK\$5,813,000 (equivalent to RMB5,281,000), respectively.

(b) 股份獎勵計劃 (續)

(II) 股份獎勵計劃II (續)

(II-iii) 股份獎勵II-iii

於2020年3月27日，合共20,000,000股獎勵股份II (「**股份獎勵II-iii**」) 授予選定參與者。倘符合若干表現及服務條件，則於所有授出股份中，10,000,000股獎勵股份II將於2021年4月21日歸屬(「**獎勵股份G**」)。餘下獎勵股份II 10,000,000股將於2021年4月21日歸屬，自歸屬日期起一年禁售期(「**獎勵股份H**」)。

下表披露獎勵股份G及獎勵股份H於報告期間的變動：

獎勵股份G及獎勵股份H於授出日期使用亞洲式期權模式釐定的公平值分別為6,010,000港元(相當於人民幣5,459,000元)及5,813,000港元(相當於人民幣5,281,000元)。

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35. SHARE-BASED PAYMENT TRANSACTIONS 35. 以股份支付的付款交易(續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

(II-iii) Share Award II-iii (continued)

The following assumptions were used to calculate the fair values of the Award Shares G and Award Shares H:

		Award Shares G 獎勵股份G	Award Shares H 獎勵股份H
Grant date share price	授出日期的股價	HK\$0.68 0.68港元	HK\$0.68 0.68港元
Strike Price	行使價	HK\$0.68 0.68港元	HK\$0.68 0.68港元
Risk-free interest rate	無風險利率	0.62%	0.63%
Remaining restrict period	剩餘限期	1.07	2.07
Expected volatility	預期波幅	49.34%	44.66%
Dividend yield	股息收益	0.00%	0.00%
Option value	購股權價值	HK\$0.08 0.08港元	HK\$0.10 0.10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 values of the award shares are based on the best estimates of the Directors. Changes in variables and assumptions may result in changes in the fair value of the Award Shares G and Award Shares H.

The Group recognised a share award expense of RMB7,488,000 in respect of the Share Award II-iii during the current year.

(b) 股份獎勵計劃(續)

(II) 股份獎勵計劃II(續)

(II-iii) 股份獎勵II-iii(續)

採用以下假設計算獎勵股份G及獎勵股份H的公平值：

	Award Shares G 獎勵股份G	Award Shares H 獎勵股份H
Grant date share price	HK\$0.68 0.68港元	HK\$0.68 0.68港元
Strike Price	HK\$0.68 0.68港元	HK\$0.68 0.68港元
Risk-free interest rate	0.62%	0.63%
Remaining restrict period	1.07	2.07
Expected volatility	49.34%	44.66%
Dividend yield	0.00%	0.00%
Option value	HK\$0.08 0.08港元	HK\$0.10 0.10港元

預期波幅乃使用本公司股價的歷史波幅釐定。

用於計算獎勵股份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G及獎勵股份H公平值出現變動。

於本年度，本集團就股份獎勵II-iii確認股份獎勵開支為人民幣7,488,000元。



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35. SHARE-BASED PAYMENT TRANSACTIONS

(continued)

(b) Share Award Scheme (continued)

The Group retained a total number of 5,510,525 vesting shares (2019: 10,592,774) as a consideration of approximately HK\$4,519,000 (equivalent to RMB4,129,000) (2019: HK\$12,499,000 (equivalent to RMB10,722,000)) for paying the individual income tax on behalf of those selected participants under Share Award Scheme I and II.

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. DISPOSAL OF SUBSIDIARIES

As disclosed in Note 27, the Group has disposed of its equity interests in the Two Energy Companies to an associate in January 2020. According to the Transfer Agreements, Modern Farming has taken the following obligations after the completion of the disposal of the Two Energy Companies: (i) 20 years following the date of completion of the disposal, Modern Farming or its subsidiaries will continuously supply manure feed to the Two Energy Companies free of charge and an annual minimum of total solid ("TS") content will be maintained in the manure feed ("Commitment I"); (ii) Modern Farming will ensure the Two Energy Companies have a valid land use right which will be used for the operation of the Two Energy Companies in compliance with the relevant law until 31 December 2039 ("Commitment II"); and (iii) If any of the following (a) and (b) occurs, (a) within 18 years following the date of completion of the disposal, the TS content of the feed falls below 80% of the annual minimum pursuant to Commitment I above; (b) Modern Farming fails to ensure the Commitment II, Jiangyin Dairy Energy has the right to require Modern Farming to buy back all the equity interest in the Two Energy Companies (the "Option"). The price will be 130% of the sum of the consideration under the Transfer Agreements and any subsequent capital investment in respect of the Two Energy Companies (with a cap of RMB43,600,000 for Wuhe Energy and RMB27,210,000 for Hefei Energy).

35. 以股份支付的付款交易 (續)

(b) 股份獎勵計劃 (續)

本集團根據股份獎勵計劃I及II代該等選定參與者支付個人所得稅時，保留合共5,510,525股歸屬股份(2019年：10,592,774股)作為代價約4,519,000港元(相當於人民幣4,129,000元)(2019年：12,499,000港元(相當於人民幣10,722,000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。

36. 出售附屬公司

誠如附註27所披露，本集團於2020年1月出售其於兩間能源公司的股權予一間合營公司。根據轉讓協議，現代牧業(集團)於兩間能源公司出售事項完成後已承擔下列義務：(i)於出售事項完成之日起20年內，現代牧業(集團)或其附屬公司將持續免費向兩間能源公司提供進料牛糞，且進料牛糞中每年必須保持最低總固體("TS")含量("承諾I")；(ii)現代牧業(集團)將確保兩間能源公司直至2039年12月31日擁有有效的合法土地使用權用於兩間能源公司的運營("承諾II")；及(iii)倘發生下列(a)及(b)任何情況，(a)出售事項完成之日起18年內進料保底TS量低於上文承諾I的年度最低含量的80%；(b)現代牧業(集團)未能履行承諾II，江陰牧能有權要求現代牧業(集團)購回兩間能源公司之所有股權("出售權")。價格為轉讓協議項下之代價及有關兩間能源公司任何隨後投入之資金(五河能源以人民幣43,600,000元為限及合肥能源以人民幣27,210,000元為限)總和之130%。

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36. DISPOSAL OF SUBSIDIARIES (continued)

The management considered the liabilities of Modern Farming arising from its obligations in respect of Commitment I and Commitment II are insignificant. As to the Option, the Group engaged an independent valuer, Asia-Pacific Consulting and Appraisal Limited, to assist it in assessing the fair value, which is determined using the Binomial-Tree Model. Based on the valuation performed, the management considered the amount is not material and accordingly has not been recognised in the consolidated financial statements.

36. 出售附屬公司 (續)

管理層認為現代牧業(集團)因其對承諾I及承諾II承擔的義務而產生的負債微乎其微。關於出售權，本集團聘請獨立估值師亞太評估諮詢有限公司協助評估公平值，公平值乃使用二叉樹模型釐定。根據所進行的估值，管理層認為有關金額並不重大，因此並無於綜合財務報表內確認。

		31 January 2020 2020年1月31日 RMB'000 人民幣千元
Analysis of assets and liabilities over which control was lost:	失去控制權的資產及負債分析：	
Property, plant and equipment	物業、廠房及設備	69,798
Inventories	存貨	93
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	6,017
Bank balances and cash	銀行結餘及現金	6,734
Trade and other payables	應付貿易賬款及其他應付款項	(6,699)
Tax payable	應課稅項	(99)
Net assets disposed of	出售的資產淨值	75,844



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36. DISPOSAL OF SUBSIDIARIES (continued)

36. 出售附屬公司(續)

		RMB'000 人民幣千元
Gain on disposal of subsidiaries:	出售附屬公司的收益：	
Consideration received	已收代價	140,718
Receivables from Jiangyin Dairy Energy (Note 23)	來自江陰牧能的應收款項(附註23)	7,406
Net assets disposed of	出售的資產淨值	(75,844)
Gain on disposal	出售收益	72,280
Net cash inflow arising on disposal:	出售事項產生的現金流入淨額：	
Cash consideration	現金代價	140,718
Less: bank balances and cash disposed of	減：已出售的銀行結餘及現金	(6,734)
		133,984

37. 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 and other borrowings as disclosed in Notes 29 and 30 respectively, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

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

37. 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(包括銀行借款及其他借款(分別披露於附註29及30)，扣除銀行結餘及現金)及本公司擁有人應佔權益(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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38. FINANCIAL INSTRUMENTS

Categories of financial instruments

38. 金融工具

金融工具類別

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Financial assets:	金融資產：		
Financial assets at amortised cost	按攤銷成本計量的金融資產	1,957,531	1,592,094
Equity instruments at FVTOCI	按公平值計入其他全面 收入的權益工具	5,080	3,959
Other financial assets	其他金融資產	50,000	-
Derivative financial instruments	衍生金融工具		
- Interest rate swaps	- 利率掉期	-	4,325
- Foreign currency forward contracts	- 外幣遠期合約	11,145	53,505
- Foreign currency option contracts	- 外幣期權合約	-	31,713
Financial liabilities:	金融負債：		
Financial liabilities at amortised cost	按攤銷成本計量的金融負債	6,805,030	7,970,190
Derivative financial instruments	衍生金融工具		
- Interest rate swaps	- 利率掉期	52,264	15,134
- Foreign currency forward contracts	- 外幣遠期合約	-	140
- Foreign currency option contracts	- 外幣期權合約	31,074	-

Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, other financial assets 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.

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、已質押銀行存款、銀行結餘及現金、應付貿易賬款及其他應付款項、銀行及其他借款、其他金融資產及衍生金融工具。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。



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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

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 2020, the major assets denominated in foreign currency are bank balances disclosed in Note 26. 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 foreign currency forward contracts or foreign currency option contracts, when necessary, to manage its foreign exchange exposure.

Foreign currency sensitivity analysis

2% (2019: 2%) is the sensitivity rate changes which represented management's assessment of the reasonably possible change in foreign exchange rates.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against US\$ and HK\$. The sensitivity analysis below includes US\$ and HK\$ denominated monetary items that are not associated with a foreign currency forward contract or a foreign currency option contract. At the end of each reporting period, if the exchange rate had been strengthen in RMB against US\$ and HK\$ by 2% and all other variables were held constant, the Group's post-tax profit for each reporting period would fluctuate as follow:

38. 金融工具(續)

金融風險管理的目標及政策(續)

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2020年12月31日，以外幣計值的主要資產為附註26所披露的銀行結餘。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，並可能訂立外幣遠期合約或外幣期權合約(如需要)，以管理其外匯風險。

外幣敏感度分析

2%(2019年：2%)的敏感率變動代表管理層對外匯匯率合理可能變動的評估。

本集團主要面臨來自人民幣兌美元及港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或外幣期權合約無關的以美元及港元計值的貨幣項目。於各報告期末，倘人民幣兌美元及港元升值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溢利將有如下浮動：

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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity analysis (continued)

38. 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)

		Increase (decrease) in post-tax profit 除稅後溢利 增加(減少) 2020 2020年 RMB'000 人民幣千元	Increase (decrease) in post-tax profit 除稅後溢利 增加(減少) 2019 2019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		
– bank balances	– 銀行結餘	(2,681)	(1,178)
– bank borrowings	– 銀行借款	18,569	1,179
HK\$ denominated assets and liabilities against RMB	港元計值資產及負債兌人民幣		
– bank balances	– 銀行結餘	(926)	(769)
Total	總計	14,962	(768)

For a 2% weakening of the RMB against US\$ and HK\$, there would be an equal and opposite impact on the post-tax profit.

倘人民幣兌美元及港元貶值2%，則將對除稅後溢利產生同等相反的影響。

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38. FINANCIAL INSTRUMENTS (continued)**Financial risk management objectives and policies**

(continued)

Market risk (continued)*(ii) Interest rate risk*

The Group is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on bank balances, pledged bank 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 and lease liabilities.

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. As at 31 December 2020, seven (31 December 2019: seven) interest rate swap contracts had been entered by the Group to mitigate its cash flow interest rate risk.

The sensitivity analysis 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 and pledged bank deposits are excluded from the sensitivity analysis 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 (2019: 50) basis points increase or decrease represented management's assessment of the reasonably possible change in interest rates.

38. 金融工具 (續)**金融風險管理的目標及政策** (續)**市場風險** (續)*(ii) 利率風險*

本集團因銀行結餘、已質押銀行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及其他借款及租賃負債。

本集團通過定期審查利率風險淨額，並可能訂立利率掉期合約(如需要)，以管理其利率風險。於2020年12月31日，本集團已訂立七份(2019年：七份)利率掉期合約以減輕其現金流量利率風險。

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。由於銀行結餘及已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(2019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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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity analysis

At the end of reporting period, if interest rates had been increased/decreased by 50 (2019: 50) basis points and all other variables were held constant, the Group's profit would have decreased/increased by RMB4,085,000 (2019: RMB4,545,000) for the current year.

Credit risk and impairment assessment

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.

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 on trade balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

38. 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

於報告期末，倘利率增加／減少50個基點(2019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溢利將減少／增加人民幣4,085,000元(2019年：人民幣4,545,000元)。

信貸風險及減值評估

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。

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。客戶應佔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，本集團按預期信貸虧損模式個別對貿易結餘進行減值評估。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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38. 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 Group has concentration of credit risk as approximately 85% (31 December 2019: 82%) and 10% (31 December 2019: 4%) of total trade receivables as at 31 December 2020 was due from Customer A and Customer B, respectively.

Pledged bank deposits/bank balances

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies and/or authorised banks in the PRC.

Approximately 19%, 12% and 11% of total pledged bank deposits and bank balances were deposited in China Construction Bank, Agricultural Development Bank and Cooperative Rabobank U.A. respectively as at 31 December 2020 (31 December 2019: 23% and 18% in Agricultural Development Bank and China Construction Bank respectively).

Other than the concentration of credit risks of trade receivables, pledged bank deposits and bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

38. 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)

本集團存在信貸風險集中的情況，原因為於2020年12月31日的應收貿易賬款總額中約85%(2019年12月31日：82%)及10%(2019年12月31日：4%)分別為應收本集團客戶A及客戶B的款項。

已質押銀行存款／銀行結餘

已質押銀行存款及銀行結餘的信貸風險有限，原因為交易對手方為國際信貸機構給予高信貸評級的信譽良好的銀行及／或中國的認可銀行。

於2020年12月31日，約19%、12%及11%的總已質押銀行存款及銀行結餘分別存於中國建設銀行、Agricultural Development Bank及拉博銀行(2019年12月31日：23%及18%分別存於Agricultural Development Bank及中國建設銀行)。

除上述應收貿易賬款、已質押銀行存款及銀行結餘的信貸風險集中情況外，本集團並無任何其他重大信貸集中風險。

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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

38. 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)

本集團內部信貸評級包括以下類別：

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 – 無信貸減值	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 – 無信貸減值	Lifetime ECL – not credit-impaired 全期預期信貸虧損 – 無信貸減值
Loss 損失	There is evidence indicating the asset is credit-impaired 有證據顯示有關資產已信貸減值	Lifetime ECL – credit-impaired 全期預期信貸虧損 – 信貸減值	Lifetime ECL – credit-impaired 全期預期信貸虧損 – 信貸減值
Write-off 撤銷	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 撤銷金額	Amount is written off 撤銷金額



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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	NOTES 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 2020		Gross carrying amount 2019	
				賬面總值2020年		賬面總值2019年	
				RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Financial assets at amortised costs 按攤銷成本計量的金融資產							
Pledged bank deposits 已質押銀行存款	26	N/A 不適用	12m ECL 12個月預期信貸虧損	157,209		80,122	
Bank balances 銀行結餘	26	N/A 不適用	12m ECL 12個月預期信貸虧損	1,144,337		961,074	
Other receivables 其他應收款項	23	Low risk 低風險	12m ECL 12個月預期信貸虧損	24,700		9,308	
		Loss 損失	Lifetime ECL (credit-impaired) 全期預期信貸虧損(信貸減值)	4,671 29,371		4,514 13,822	
Trade receivables (Note) 應收貿易賬款(附註)							
- raw milk - 原料奶	23	Low risk 低風險	Lifetime ECL (not credit-impaired) 全期預期信貸虧損(無信貸減值)	631,285		541,570	
- liquid milk product - 液態奶產品	23	Loss 損失	Lifetime ECL (credit-impaired) 全期預期信貸虧損(信貸減值)	8,483 639,768		8,635 550,205	

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses for all items individually since there are few numbers of customers for trade receivables.

38. 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)

下表詳列本集團根據預期信貸虧損評估的金
融資產信貸風險：

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。本集團個別釐定所有項目的預期信貸虧損，乃由於應收貿易賬款的客戶數目少。

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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

38. 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) 全期預期 信貸虧損 (無信貸減值) RMB'000 人民幣千元	Lifetime ECL (credit- impaired) 全期預期 信貸虧損 (信貸減值) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
As at 1 January 2019	於2019年1月1日	-	857,739	857,739
Changes due to financial instruments recognised as at 1 January 2019:	於2019年1月1日由於已確認金融工具引致的變動：			
- Impairment losses reversed (Distributors)	- 已撥回減值虧損(分銷商)	-	(160,451)	(160,451)
- Impairment losses reversed (others)	- 已撥回減值虧損(其他)	-	(1,837)	(1,837)
- Write-offs (Distributors)	- 撇銷(分銷商)	-	(686,618)	(686,618)
- Write-offs (others)	- 撇銷(其他)	-	(198)	(198)
As at 31 December 2019	於2019年12月31日	-	8,635	8,635
Changes due to financial instruments recognised as at 1 January 2020:	於2020年1月1日由於已確認金融工具引致的變動：			
- Impairment losses reversed (others)	- 已撥回減值虧損(其他)	-	(152)	(152)
As at 31 December 2020	於2020年12月31日	-	8,483	8,483



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38. 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:

38. 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：

		31/12/2020 2020年12月31日		31/12/2019 2019年12月31日	
		Decrease in lifetime ECL 全期預期信貸虧損減少		Decrease in lifetime ECL 全期預期信貸虧損減少	
		Not credit- impaired 無信貸減值 RMB'000 人民幣千元	Credit- impaired 信貸減值 RMB'000 人民幣千元	Not credit- impaired 無信貸減值 RMB'000 人民幣千元	Credit- impaired 信貸減值 RMB'000 人民幣千元
Settlement in full of the Distributors with a gross carrying amount of RMB378,261,000	分銷商全數結清賬面總值人民幣378,261,000元	-	-	-	(160,451)
Settlement in full of trade debtors with a gross carrying amount of RMB152,000 (Others) (2019: RMB1,837,000)	貿易債務人全數結清賬面總值人民幣152,000元(其他)(2019年：人民幣1,837,000元)	-	(152)	-	(1,837)

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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

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.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

38. 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)

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。

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 (信貸減值) RMB'000 人民幣千元
As at 1 January 2019	於2019年1月1日	3,569
Changes due to financial instruments recognised as at 1 January 2019:	於2019年1月1日由於已確認金融工具引致的變動：	
- Write-offs	- 撇銷	(8)
- New financial assets originated	- 源生的新金融資產	953
As at 31 December 2019	於2019年12月31日	4,514
Changes due to financial instruments recognised as at 1 January 2020:	於2020年1月1日由於已確認金融工具引致的變動：	
- New financial assets originated	- 源生的新金融資產	157
As at 31 December 2020	於2020年12月31日	4,671



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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowance for other receivables are mainly due to:

38. 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)

其他應收款項虧損撥備的變動主要由於：

	31/12/2020 Increase in lifetime ECL Credit-impaired 2020年12月31日 全期預期 信貸虧損 增加信貸減值 RMB'000 人民幣千元	31/12/2019 Increase in lifetime ECL Credit-impaired 2019年12月31日 全期預期 信貸虧損 增加信貸減值 RMB'000 人民幣千元
One debtor of other receivables defaulted	157	953

Liquidity risk

The Group had net current liabilities of RMB1,881,191,000 as at 31 December 2020 (31 December 2019: RMB3,537,886,000). 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, taking into account, (i) the available credit facilities of approximately RMB4,597,896,000 which remain unutilised as at 31 December 2020 (these credit facilities included an amount of RMB1,300,000,000 from Inner Mongolia Mengniu, a subsidiary of Mengniu, and the remaining credit facilities are from licensed banks.); (ii) the expected net cash inflows generated from the Group's operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

流動資金風險

本集團於2020年12月31日的流動負債淨額為人民幣1,881,191,000元(2019年12月31日：人民幣3,537,886,000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融資進行續期及再融資(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，經考慮(i)於2020年12月31日的可供動用信貸融資約人民幣4,597,896,000元並未動用。該等信貸融資包括來自內蒙古蒙牛(蒙牛的附屬公司)人民幣1,300,000,000元，剩餘信貸融資來自持牌銀行；(ii)未來十二個月本集團營運產生的預期現金流入淨額，董事信納本集團將能夠在可將來在到期時充分履行其財務責任，因此綜合財務報表已按持續經營基準編製。

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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

The Group finances their operations by using a combination of borrowings and equity. Adequate lines of credit, including a facility of RMB1,300,000,000 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.

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.

38. 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)

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1,300,000,000元)。董事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，日常經營及資本開支所需的流動資金及資金來源充足。

下表詳列本集團餘下非衍生金融負債的合約到期情況。該表根據本集團可能被要求支付的最早日期的金融負債未貼現現金流量而編製。

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入及流出淨額以及該等需要總額結算的衍生工具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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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

38. 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天內	181天至365天內	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 2020	於2020年12月31日							
Non-derivative financial liabilities	非衍生金融負債							
Non-interest bearing	不計息	-	1,081,416	81,288	-	-	1,162,704	1,162,704
Fixed interest rate bank borrowings	定息銀行借款	0.66-5.00	1,170,550	732,217	225,073	173,157	2,300,997	2,230,939
Variable interest rate bank borrowings	浮息銀行借款	1.22-5.00	276,749	1,450,987	268,640	1,578,299	3,574,675	3,411,387
Lease liabilities	租賃負債	4.65-5.20	14,765	16,306	20,248	292,512	343,831	219,893
			2,543,480	2,280,798	513,961	2,043,968	7,382,207	7,024,923
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		19,045	18,002	10,948	4,400	52,395	52,264
Derivatives - gross settlement	衍生工具 - 以總額結算							
Foreign currency option contracts	外幣期權合約							
- inflow	- 流入		-	16,118	7,242	19,191	42,551	42,551
- outflow	- 流出		-	40,373	11,249	22,003	73,625	73,625

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38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

38. 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天內	181天至365天內	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 2019	於2019年12月31日							
Non-derivative financial liabilities	非衍生金融負債							
Non-interest bearing	不計息	-	1,210,784	169,519	-	-	1,380,303	1,380,303
Fixed interest rate bank borrowings	定息銀行借款	3.20-5.00	589,116	838,221	60,641	-	1,487,978	1,449,411
Variable interest rate bank borrowings	浮息銀行借款	4.28-5.17	206,431	2,315,532	1,504,325	190,998	4,217,286	4,089,063
Other borrowings	其他借款	4.79-4.80	1,059,803	-	-	-	1,059,803	1,051,413
Lease liabilities	租賃負債	5.13-5.20	17,762	16,523	20,208	312,357	366,850	229,347
			3,083,896	3,339,795	1,585,174	503,355	8,512,220	8,199,537
Derivatives - net settlement	衍生工具 - 以淨額結算							
Interest rate swap contracts	利率掉期合約							
outflow	流出		2,042	4,077	9,414	-	15,533	15,134
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		-	-	139,380	-	139,380	135,048
- outflow	- 流出		-	-	139,524	-	139,524	135,188

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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39. 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.

39. 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。

		Bank borrowings (Note 29)	Medium-term notes	Corporate bonds	Other borrowings (Note 30)	Amounts due to Mengniu Group	Lease liabilities (Note 31)	Foreign currency forward and option contracts (Note 24) 外幣遠期及期權合約	Total 總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2019	於2019年1月1日	4,437,502	621,880	1,087,568	1,001,111	143,048	209,125	(34,522)	7,465,712
Financing cash flows	融資現金流量	768,398	(628,500)	(1,102,213)	123	(150,000)	(18,005)	-	(1,130,197)
New leases entered	新訂立租賃	-	-	-	-	-	27,217	-	27,217
Foreign exchange	外匯	84,167	-	-	-	-	-	-	84,167
Interest expenses	利息開支	248,407	6,620	14,645	50,179	6,952	11,010	-	337,813
Fair value adjustments	公平值調整	-	-	-	-	-	-	(50,556)	(50,556)
At 31 December 2019	於2019年12月31日	5,538,474	-	-	1,051,413	-	229,347	(85,078)	6,734,156
Financing cash flows	融資現金流量	18,729	-	-	(1,058,634)	-	(21,111)	77,975	(983,041)
New leases entered/ lease modified	新訂立租賃/ 經修改租賃	-	-	-	-	-	592	-	592
Foreign exchange	外匯	(173,760)	-	-	-	-	-	-	(173,760)
Interest expenses	利息開支	258,883	-	-	7,221	-	11,065	-	277,169
Fair value adjustments	公平值調整	-	-	-	-	-	-	27,032	27,032
At 31 December 2020	於2020年12月31日	5,642,326	-	-	-	-	219,893	19,929	5,882,148

Note: The cash flows from the interest rate swaps, foreign currency forward contracts and foreign currency option contracts, bank borrowings, medium-term notes, other borrowings, corporate bonds and amounts due to Mengniu Group 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、外幣遠期合約及外幣期權合約、銀行借款、中期票據、其他借款、公司債券及應付蒙牛集團的款項的現金流量構成綜合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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40. 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, other financial assets, 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.

40. 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，其他金融資產、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。



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40. FAIR VALUE MEASUREMENTS (continued)

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 (continued)

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.

Fair value hierarchy

40. 公平值計量(續)

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(續)

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。

公平值級別

Assets/(liabilities)		Fair value as at 31 December 2020 於2020年 12月31日的 公平值 RMB'000 人民幣千元	Fair value as at 31 December 2019 於2019年 12月31日的 公平值 RMB'000 人民幣千元	Fair value hierarchy 公平值級別
Biological assets	生物資產	7,101,243	7,459,359	level 3 第三級
Derivative financial instruments	衍生金融工具			
- Interest rate swaps	- 利率掉期	-	4,325	level 2 第二級
- Foreign currency forward contracts	- 外幣遠期合約	11,145	53,505	level 2 第二級
- Foreign currency option contracts	- 外幣期權合約	-	31,713	level 2 第二級
Other financial assets	其他金融資產			
- Structured bank deposits	- 結構性銀行存款	50,000	-	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	5,080	3,959	level 3 第三級
Derivative financial instruments	衍生金融工具			
- Interest rate swaps	- 利率掉期	(52,264)	(15,134)	level 2 第二級
- Foreign currency forward contracts	- 外幣遠期合約	-	(140)	level 2 第二級
- Foreign currency option contracts	- 外幣期權合約	(31,074)	-	level 2 第二級

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40. 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:

40. 公平值計量(續)

公平值計量使用的估值方法

下表列示計量第二級及第三級公平值時所用的估值方法，以及估值模型所用的重大不可觀察輸入數據：

Type	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 外幣遠期合約	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 外幣期權合約	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



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40. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements
(continued)

40. 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
Structured bank deposits 結構性銀行存款	Discounted cash flow Future cash flows are estimated based on forward exchange 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
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 the 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。

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40. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

40. 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
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. 十四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 RMB20,500 per head at 31 December 2020 (2019: RMB21,100). 於2020年12月31日，十四個月的小母牛的平均當地市場售價估計為每頭人民幣20,500元(2019年：人民幣21,100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。
	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. 在小於十四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十四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，在大於十四個月的年歲組別的小母牛的公平值乃經加上將小母牛由十四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。	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 RMB17,463 at 31 December 2020 (2019: RMB16,203); average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB17,694 at 31 December 2020 (2019: RMB16,417). 於2020年12月31日，就小於十四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17,463元(2019年：人民幣16,203元)；於2020年12月31日，就大於十四個月的小母牛而言，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17,694元(2019年：人民幣16,417元)。	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. 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/小於十四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。



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40. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

40. 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 RMB1.77 for the year ended 31 December 2020 (2019: RMB1.77), based on the historical average feed costs per kg of raw milk after taking into consideration of inflation. 截至2020年12月31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1.77元(截至2019年：人民幣1.77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。	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。
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield at each lactation cycle ranges from 29.1 kg to 31.3kg for the year ended 31 December 2020 (2019: 27.9kg to 30.1kg), depending on the number of the lactation cycles and the individual physical condition. 奶牛有六個哺乳期。截至2020年12月31日止六個月，各哺乳期的估計平均每日產奶量介乎29.1公斤至31.3公斤(截至2019年：27.9公斤至30.1公斤)，視哺乳期數目以及個別身體狀況而定。	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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40. FAIR VALUE MEASUREMENTS (continued)

Valuation techniques used in fair value measurements

(continued)

40. 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
		Estimated local future market price for raw milk is RMB4.13 per kg at 31 December 2020 (2019: RMB4.04 per kg). 於2020年12月31日，估計當地未來原料奶市價為每公斤人民幣4.13元(2019年：每公斤人民幣4.04元)。	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. 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。
		Discount rate for estimated future cash flow used is 12.50% at 31 December 2020 (2019: 12.30%). 於2020年12月31日，所用估計未來現金流量的貼現率為12.50%(2019年：12.30%)。	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. 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。



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40. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements

40. 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 2019	於2019年1月1日的結餘	2,508
Total gains in OCI	於其他全面收入的收益總額	1,451
At 31 December 2019	於2019年12月31日	3,959
Total gains in OCI	於其他全面收入的收益總額	1,121
At 31 December 2020	於2020年12月31日	5,080

The reconciliations from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in Note 21.

生物資產公平值計量由期初結餘至期末結餘的對賬披露於附註21。

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

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量分析釐定。

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41. CAPITAL COMMITMENTS

41. 資本承擔

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	就收購物業、廠房及設備已訂約但未計提撥備的資本開支	20,238	21,474

42. RELATED PARTY TRANSACTIONS

42. 關聯方交易

(a) Names and relationship with related parties are as follows:

Mengniu A shareholder who directly and indirectly held 57.69% of the Company's issued share capital

Jiangyin Dairy Energy An associate of the Group

(b) Other than as disclosed elsewhere in the financial statements, at the end of the reporting period, the Group had the following balances with related parties:

Amounts due from

Mengniu Group 蒙牛集團
Trade receivable – raw milk 應收貿易賬款 – 原料奶
Within 30 days based on 按發票日計30天以內
invoice date

Other receivable 其他應收款項

(a) 以下為關聯方名稱及與關聯方的關係：

蒙牛 直接及間接持有本公司已發行股本57.69%的股東

江陰牧能 本集團之聯營公司

(b) 除財務報表其他部分所披露者外，於報告期末，本集團與關聯方有下列結餘：

應收款項

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Mengniu Group 蒙牛集團 Trade receivable – raw milk 應收貿易賬款 – 原料奶 Within 30 days based on 按發票日計30天以內 invoice date	533,750	446,239
Other receivable 其他應收款項	-	243



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42. RELATED PARTY TRANSACTIONS (continued)

- (b) Other than as disclosed elsewhere in the financial statements, at the end of the reporting period, the Group had the following balances with related parties:

(continued)

Amounts due to

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Jiangyin Dairy Energy	江陰牧能		
Trade payables	應付貿易賬款	1,354	-

- (c) Other than as disclosed elsewhere in the financial statements, during the current year, the Group had the following transactions with related parties:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Sales of raw milk	銷售原料奶	4,939,178	4,702,150
Others	其他	-	2,311
Disposal of equipment	出售設備	-	440
Purchases of liquid milk (Note)	採購液態奶(附註)	10,000	-
Jiangyin Dairy Energy	江陰牧能		
Purchases of power and utilities	採購能源及公用設施	15,117	-

The sales prices were based on mutually agreed terms.

Note: During the current year, the Group purchased liquid milk of RMB10,000,000 from Mengniu Group for donation purpose.

42. 關聯方交易(續)

- (b) 除財務報表其他部分所披露者外，於報告期末，本集團與關聯方有下列結餘：(續)

應付款項

- (c) 除財務報表其他部分所披露者外，於本期間，本集團與關聯方訂立以下交易：

銷售價格是基於共同協定條款。

附註：於本年度，本集團向蒙牛集團採購液態奶人民幣10,000,000元以用於捐贈。

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42. RELATED PARTY TRANSACTIONS (continued)

(d) Other borrowings

During the current year, the Group entered into the following transactions with related parties:

Category		As at 1 January 2020 於2020年 1月1日 RMB'000 人民幣千元	Drawdown during the year 年內籌集 RMB'000 人民幣千元	Repayment during the year 年內償還 RMB'000 人民幣千元	As at 31 December 2020 於2020年 12月31日 RMB'000 人民幣千元
Mengniu Entrusted Loan (Note i)	蒙牛委託貸款(附註i)	1,001,330	6,818	(1,008,148)	-

Category		As at 1 January 2019 於2019年 1月1日 RMB'000 人民幣千元	Drawdown during the year 年內籌集 RMB'000 人民幣千元	Repayment during the year 年內付款 RMB'000 人民幣千元	As at 31 December 2019 於2019年 12月31日 RMB'000 人民幣千元
Mengniu Entrusted Loan (Note i)	蒙牛委託貸款(附註i)	1,001,111	1,953,364	(1,953,145)	1,001,330
Mengniu Advance (Note ii)	蒙牛墊款(附註ii)	-	155,477	(155,477)	-

Notes:

- i. The Group entered into several entrusted loan agreements with Mengniu Group and Agricultural Bank of China ("ABC") since 2017, pursuant to which, Mengniu Group provided loans to the Group through ABC. All the borrowings had been fully repaid during the current year. The Group recognised interest expense of RMB6,818,000 for the year ended 31 December 2020 (2019: RMB42,364,000).

附註:

- i. 本集團自2017年起與蒙牛集團及中國農業銀行(「中國農業銀行」)訂立多份信託貸款協議。據此，蒙牛集團透過中國農業銀行向本集團提供貸款。所有借款已於年內悉數償還。本集團確認截至2020年12月31日止年度的利息開支人民幣6,818,000元(2019年：人民幣42,364,000元)。



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42. RELATED PARTY TRANSACTIONS (continued)

(d) Other borrowings (continued)

Notes: (continued)

- ii. During the year ended 31 December 2019, the Group entered into several advance payment agreements with Mengniu Group, pursuant to which, Mengniu Group agreed to pay in advance RMB150,000,000 to the Group and the advance payment is limited to be used in the Group's dairy cow raising business (the "Mengniu Advance"), which bear interest at a fixed rate of 4.800% per annum. The Mengniu Advance had been settled during the year ended 31 December 2019. The Group recognised interest expense of RMB5,478,000 for the year ended 31 December 2019.

(e) Compensation of key management personnel

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

42. 關聯方交易(續)

(d) 其他借款(續)

附註：(續)

- ii. 於截至2019年12月31日止年度，本集團與蒙牛集團訂立若干預付款項協議，據此，蒙牛集團同意向本集團預付人民幣150,000,000元，預付款項僅限於用作本集團奶牛飼養業務(「蒙牛預付款項」)，按4.800%的固定年利率計息且已於截至2019年12月31日止年度結算。截至2019年12月31日止年度，本集團確認利息開支人民幣5,478,000元。

(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：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Salaries and other benefits	薪金及其他福利	10,444	10,970
Performance related bonuses	表現掛鈎花紅	76,842	5,520
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	10,722	11,805
Retirement benefits scheme contributions	退休福利計劃供款	656	926
		98,664	29,221

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43. SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2020 and 2019 are as follows:

43. 附屬公司

於2020年及2019年12月31日，本公司的附屬公司詳情如下：

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司應佔股權				Principal activities 主要業務
			2020 2020年		2019 2019年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Advanced Dairy Company (Luxembourg) Limited Advanced Dairy Company (Luxembourg) Limited	Luxembourg 盧森堡	US\$138,500,000 138,500,000美元	100.00	-	100.00	-	Investment holding 投資控股
Aquitair Aquitair	The Republic of Ireland 愛爾蘭共和國	US\$472,307,046 472,307,046美元	-	100.00	-	100.00	Investment holding 投資控股
Modern Farming (Note i) 現代牧業(集團)(附註i)	The 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 Asia Dairy Holdings	The 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 Asia Dairy Holdings II	The 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. 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. 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. Strong Alliance Investment Holdings Ltd.	The 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. Well Alliance Investment Holdings Ltd.	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. (Note i) 馬鞍山現代牧業乳品銷售有限公司(附註i)	The PRC 中國	RMB20,350,000 人民幣20,350,000元	-	100.00	-	100.00	Sales of milk 銷售牛奶



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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司應佔股權				Principal activities 主要業務
			2020 2020年		2019 2019年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Shanghe (Note ii) 商河(附註ii)	The 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
Modern Farming (Heilinger) Co., Ltd. (Note ii) 和林格爾現代牧業有限公司(附註ii)	The 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
Saibei (Note ii) 塞北(附註ii)	The 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)	The PRC 中國	RMB430,000,000 人民幣430,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛
Modern Farming (Wenshang) Co., Ltd. (Note ii) 汶上現代牧場有限公司(附註ii)	The 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)	The 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)	The 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)	The PRC 中國	RMB100,000,000 人民幣100,000,000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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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司應佔股權				Principal activities 主要業務
			2020 2020年		2019 2019年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Modern Farming (Baoji) Co., Ltd. (Note ii) 現代牧業(寶雞)有限公司(附註ii)	The PRC 中國	RMB60,000,000 人民幣60,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Tongshan) Co., Ltd. (Note ii) 現代牧業(通山)有限公司(附註ii)	The 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)	The 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)	The PRC 中國	RMB29,000,000 人民幣29,000,000元	-	98.18	-	98.18	Breeding dairy cows and production of milk 飼養奶牛及生產牛奶
Modern Farming (Wuhe) Co., Ltd. (Note ii) 現代牧業(五河)有限公司(附註ii)	The 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 Anhui (Note ii) 現代牧業安徽(附註ii)	The 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)	The 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 Shanghe Feeding Co., Ltd. (Note ii) 現代牧業商河飼料有限公司(附註ii)	The PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	98.18	Production of fodder 生產飼料



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43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司應佔股權				Principal activities 主要業務
			2020 2020年		2019 2019年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
China Modern Dairy I Ltd. China Modern Dairy I Ltd.	The 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. China Modern Dairy II Ltd.	The British Virgin Islands 英屬處女群島	US\$1.00 1.00美元	-	100.00	-	100.00	Investment holding 投資控股
China Leading Dairy Ltd. 中國領先乳品有限公司	Hong Kong 香港	HK\$1.00 1.00港元	-	100.00	-	100.00	Investment holding 投資控股
Modern Farming (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)	The 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)	The 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)	The PRC 中國	RMB40,000,000 人民幣40,000,000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)	The 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 & iv) 成都現代牧業乳品銷售有限公司(附註ii及iv)	The PRC 中國	RMB1,000,000 人民幣1,000,000元	-	N/A 不適用	-	N/A 不適用	Sales of milk 銷售牛奶
Wuhan Modern Farming Dairy Products Sales Co., Ltd. (Note ii) 武漢現代牧業乳品銷售有限公司(附註ii)	The PRC 中國	RMB1,000,000 人民幣1,000,000元	-	68.73	-	68.73	Sales of milk 銷售牛奶

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FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

43. SUBSIDIARIES (continued)

43. 附屬公司(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司應佔股權				Principal activities 主要業務
			2020 2020年		2019 2019年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Modern Farming (Shenzhen) Sales Company (Note ii & iv) 現代牧業銷售(深圳)有限公司(附註ii及iv)	The PRC 中國	RMB1,000,000 人民幣1,000,000元	-	N/A 不適用	-	N/A 不適用	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)	The PRC 中國	RMB1,000,000 人民幣1,000,000元	-	73.63	-	73.63	Sales of milk 銷售牛奶
Wuhe Energy (Note iii) 五河能源(附註iii)	The PRC 中國	RMB10,000,000 人民幣10,000,000元	-	N/A 不適用	-	98.18	Power generation 生產能源
Hefei Energy (Note iii) 合肥能源(附註iii)	The PRC 中國	RMB10,000,000 人民幣10,000,000元	-	N/A 不適用	-	98.18	Power generation 生產能源
Zhangjiakou Muneng Energy Co., Ltd (Note ii & v) Zhangjiakou Muneng Energy Co., Ltd (附註ii及v)	The PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	N/A 不適用	Power generation 生產能源
Zhangjiakou Baita Energy Co., Ltd (Note ii & v) Zhangjiakou Baita Energy Co., Ltd (附註ii及v)	The PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	N/A 不適用	Power generation 生產能源
Zhangjiakou Hengsheng Energy Co., Ltd (Note ii & v) Zhangjiakou Hengsheng Energy Co., Ltd (附註ii及v)	The PRC 中國	RMB1,000,000 人民幣1,000,000元	-	98.18	-	N/A 不適用	Power generation 生產能源



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43. SUBSIDIARIES (continued)

Notes:

- i. The entity was established in the PRC and became a sino-foreign investment enterprise.
- ii. These entities were established in the PRC as domestic companies and owned by Modern Farming.
- iii. Wuhe Energy and Hefei Energy was established in July 2019 by injecting certain assets and liabilities spun off from Modern Farming (Wuhe) Co., Ltd. and Modern Farming (Hefei) Co., Ltd. and were disposed of to an associate of the Group in January 2020 (Note 36).
- iv. Modern Farming (Shenzhen) Sales Company was deregistered in April 2019. Chengdu Modern Farming Dairy Products Sales Co., Ltd was deregistered in August 2019.
- v. These entities were established in July 2020 by injecting certain assets and liabilities spun off from Modern Farming (Zhangjiakou) Co., Ltd., Modern Farming (Chabei) Co., Ltd. and Modern Farming (Chabei) Hengsheng Co., Ltd., respectively.

43. 附屬公司(續)

附註：

- i. 該實體在中國成立，並成為中外投資企業。
- ii. 該等實體在中國成立，作為國內公司，由現代牧業(集團)擁有。
- iii. 透過注入由分拆現代牧業(五河)有限公司及現代牧業(合肥)有限公司所得的若干資產及負債，五河能源及合肥能源於2019年7月成立並於2020年1月出售予本集團一間聯營公司(附註36)。
- iv. 現代牧業銷售(深圳)有限公司於2019年4月撤銷註冊。成都現代牧業乳品銷售有限公司於2019年8月撤銷註冊。
- v. 透過分別注入由分拆現代牧業(張家口)有限公司、現代牧業(察北)有限公司及現代牧業(察北)恆盛有限公司所得的若干資產及負債，該等實體於2020年7月成立。

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

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

Name of subsidiary 附屬公司名稱	Place of incorporation and principal place of business 註冊成立地點及 主要營業地點	Proportion of ownership interests and voting rights held by non-controlling interests 非控股權益 所持所有權權益及投票權比例		Profit for the year allocated to non-controlling interests 分配至非控股權益的年內溢利		Accumulated non-controlling interests 累計非控股權益	
		2020 2020年	2019 2019年	2020 RMB'000 人民幣千元	2019 RMB'000 人民幣千元	2020 RMB'000 人民幣千元	2019 RMB'000 人民幣千元
Modern Farming 現代牧業(集團)	The PRC 中國	1.82%	1.82%	13,351	8,074	141,448	126,111

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

44. 擁有重大非控股權益的非全資附屬公司的詳情

下表載列擁有重大非控股權益的本集團非全資附屬公司的詳情：

有關擁有重大非控股權益的本集團附屬公司的財務資料概要如下。下文財務資料概要指集團公司間抵銷前的金額。

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Current assets 流動資產	3,341,565	3,043,245
Non-current assets 非流動資產	12,173,126	12,514,778
Current liabilities 流動負債	(4,663,511)	(5,508,174)
Non-current liabilities 非流動負債	(3,078,643)	(3,118,536)
Equity attributable to owners of the Company 本公司擁有人應佔權益	7,758,316	6,917,094
Non-controlling interests 非控股權益	14,221	14,219



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44. DETAILS OF NON-WHOLLY-OWNED
SUBSIDIARIES THAT HAVE MATERIAL
NON-CONTROLLING INTERESTS (continued)44. 擁有重大非控股權益的非全資附
屬公司的詳情(續)

		Year ended 31/12/2020 截至2020年 12月31日止年度 RMB'000 人民幣千元	Year ended 31/12/2019 截至2019年 12月31日止年度 RMB'000 人民幣千元
Revenue	收入	6,020,247	5,514,210
Expenses	開支	5,287,979	5,070,686
Profit attributable to owners of the Company	本公司擁有人應佔溢利	732,266	442,830
Profit attributable to the non-controlling interests	非控股權益應佔溢利	2	694
Net cash inflow from operating activities	經營活動現金流入淨額	1,944,037	1,652,017
Net cash outflow from investing activities	投資活動現金流出淨額	(815,466)	(961,247)
Net cash outflow from financing activities	融資活動現金流出淨額	(948,599)	(525,476)
Net cash inflow	現金流入淨額	179,972	165,294

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FOR THE YEAR ENDED 31 DECEMBER 2020 截至2020年12月31日止年度

45. STATEMENT OF FINANCIAL POSITION
AND RESERVES OF THE COMPANY

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

45. 本公司的財務狀況表及儲備

於報告期末有關本公司財務狀況的資料包括：

		2020 2020年 RMB'000 人民幣千元	2019 2019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	6,682,567	6,574,731
Amounts due from subsidiaries	應收附屬公司款項	2,323,991	3,045,771
		9,006,558	9,620,502
CURRENT ASSETS	流動資產		
Prepayments and other receivables	預付款項及其他應收款項	777	583
Bank balances and cash	銀行結餘及現金	156,267	172,917
Derivative financial instruments	衍生金融工具	11,145	85,207
		168,189	258,707
CURRENT LIABILITIES	流動負債		
Other payables	其他應付款項	7,960	2,142
Amounts due to subsidiaries	應付附屬公司款項	22,873	24,251
Bank borrowings – within one year	銀行借款 – 一年內	1,031,784	2,083,136
Derivative financial instruments	衍生金融工具	58,191	15,274
		1,120,808	2,124,803
NET CURRENT LIABILITIES	流動負債淨額	(952,619)	(1,866,096)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債	8,053,939	7,754,406
CAPITAL AND RESERVES	資本及儲備		
Share capital	股本	555,535	551,007
Reserves	儲備	6,191,785	6,107,568
TOTAL EQUITY	總權益	6,747,320	6,658,575
NON-CURRENT LIABILITIES	非流動負債		
Bank borrowings	銀行借款	1,285,028	1,095,831
Derivative financial instruments	衍生金融工具	21,591	-
		8,053,939	7,754,406

LU Minfang
盧敏放
Director
董事

GAO Lina
高麗娜
Director
董事



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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45. STATEMENT OF FINANCIAL POSITION
AND RESERVES OF THE COMPANY (continued)

Movements in equity

45. 本公司的財務狀況表及儲備(續)

權益變動

		Share capital	Share premium	Other reserve	Share options reserve 購股權儲備	Share award reserve 股份獎勵儲備	Accumulated losses 累計虧損	Total 總計
		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
Balance at 1 January 2019	於2019年1月1日的結餘	526,058	4,641,066	1,382,199	5,286	23,163	(100,163)	6,477,609
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	(114,016)	(114,016)
Reversal due to vesting of award shares	因獎勵股份歸屬而發回	-	-	-	-	(43,806)	(16,029)	(59,835)
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	-	-	-	-	25,553	-	25,553
Ordinary shares issued	已發行普通股	24,949	304,315	-	-	-	-	329,264
Balance at 31 December 2019	於2019年12月31日的結餘	551,007	4,945,381	1,382,199	5,286	4,910	(230,208)	6,658,575
Profit and total comprehensive income for the year	年內溢利及全面開支總額	-	-	-	-	-	52,556	52,556
Reversal due to vesting of award shares	因獎勵股份歸屬而發回	-	-	-	-	(24,227)	(5,333)	(29,560)
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	-	-	-	-	26,806	-	26,806
Exercise of Management Options	行使管理層購股權	4,528	39,701	-	(5,286)	-	-	38,943
Balance at 31 December 2020	於2020年12月31日的結餘	555,535	4,985,082	1,382,199	-	7,489	(182,985)	6,747,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

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46. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant events after the reporting period:

- (a) On 27 January 2021, an aggregate of 650,000,000 new shares have been successfully placed to certain independent third parties at the placing price of HK\$2.40 per share and the net proceeds from the placing amounted to approximately HK\$1,552 million. The Company intends to apply the net proceeds from the placing on infrastructure development and herd expansion, potential mergers and acquisitions and general working capital. After completion of the placing, Mengniu directly and indirectly held 52.41% of the Company's issued share capital.
- (b) On 22 March 2021, the Company entered into a sale and purchase agreement with certain sellers (the "Sellers") and Inner Mongolia Fuyuan International Industrial (Group) Co. Ltd. (the "Fuyuan"), pursuant to which the Sellers agreed to sell, and the Company agreed to purchase, the entire equity interests in Fuyuan at a total consideration of RMB3,480,000,000, which shall be satisfied by a combination of cash and allotment and issue of shares of the Company under two settlement scenarios. The above transaction constituted a major and connected transaction of the Company under the Listing Rules and has been published in the Company's announcement dated 22 March 2021.

46. 報告期後事項

本集團於報告期後發生以下重大事項：

- (a) 於2021年1月27日，合共650,000,000股新股份已成功按每股2.40港元向若干獨立第三方配售，配售事項所得款項淨額約1,552百萬港元。本公司計劃將配售事項所得款項淨額用於基礎建設開發及擴展畜群規模、潛在併購及一般營運資金。配售事項完成後，蒙牛直接及間接持有本集團已發行股本52.41%。
- (b) 於2021年3月22日，本公司與若干賣方（「賣方」）及內蒙古富源國際實業（集團）有限公司（「富源」）訂立買賣協議，據此，賣方同意出售，且本公司同意購買富源的全部股權，總代價為人民幣3,480,000,000元，該等代價將在兩種結算場景下以結合現金及配發及發行本公司股份的方式支付。上述交易構成上市規則項下本公司主要及關連交易，並已於本公司日期為2021年3月22日的公告中發佈。



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 112 to 262, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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112至262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二零一九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二零一九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 2019 and the significant degree of estimates made by the management in determining such fair values.

The Group reported milkable cows of Renminbi ("RMB") 5,543 million as at 31 December 2019. These biological assets are measured at fair value less costs to sell at the end of each reporting period.

As disclosed in Notes 5 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 future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kilogram ("kg") of raw milk. The management 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 5, 23 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，乃由於於二零一九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。

於二零一九年十二月三十一日，貴集團報告人民幣(「人民幣」)5,543百萬元的奶牛。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5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、估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克(「千克」)原料奶估計飼養成本。管理層已委聘獨立估值師協助其評估奶牛的公平值。

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5、23及42。

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

- Testing the Group's relevant internal controls over the fair value determination of milkable cows;
- Evaluating the independent valuer's objectivity, qualifications and competence;
- Assessing the appropriateness of the valuation methodologies and the reasonableness of the discount rate applied; and
- Assessing the reasonableness of the key assumptions, including the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg 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相關內部控制；
- 評估獨立估值師的客觀性、資格及能力；
- 評估估值方法的恰當性及已應用貼現率的合理性；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，包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

KEY AUDIT MATTERS (continued)

關鍵審核事項(續)

Key audit matter 關鍵審核事項

How our audit addressed the key audit matter 我們在審核中處理關鍵審核事項的方法

Impairment assessment on goodwill allocated to ADH CGU (as defined below)
分配至ADH現金產生單位商譽的減值評估(定義見下文)

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

The Group reported goodwill, net of impairment, of RMB1,061 million relating to the acquisition of ADH Companies as at 31 December 2019. An impairment loss of RMB27 million was recognised during the year ended 31 December 2019.

As disclosed in Notes 5 and 19 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 discount rate, the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg of raw milk. The management 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」)，包括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，乃由於重大結餘以及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。

於二零一九年十二月三十一日，貴集團報告有關收購ADH公司的商譽(扣除減值)為人民幣1,061百萬元。減值虧損人民幣27百萬元於截至二零一九年十二月三十一日止年度確認。

誠如綜合財務報表附註5及19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貼現率、估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。管理層已委聘獨立估價師協助其進行商譽減值評估。

Our procedures in relation to the impairment assessment on goodwill allocated to the ADH CGU included:

- Evaluating the independent valuer's objectivity, qualification and competence;
- Assessing the appropriateness of the valuation methodologies and the reasonableness of the discount rate applied; and
- Assessing the reasonableness of the key assumptions including the estimated future market price of raw milk, estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg of raw milk by comparing to historical data and the data used in the prior periods' impairment assessment.

我們就分配至ADH現金產生單位商譽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；
- 評估估值方法的恰當性及已應用貼現率的合理性；及
- 透過比較過往數據及用於過往期間減值評估的數據對主要假設的合理性進行評估，包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

其他資料

貴公司董事須對其他資料承擔責任。其他資料包括載於年報的資料，惟不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表提出的意見並無涵蓋其他資料，而我們不會對其他資料發表任何形式的核證結論。

就我們審核綜合財務報表而言，我們的責任為閱讀其他資料，從而考慮其他資料是否與綜合財務報表或我們在審核過程中獲悉的資料存在重大不符，或是否存在重大錯誤陳述。倘若我們基於已進行的工作認為其他資料出現重大錯誤陳述，我們須報告有關事實。就此，我們毋須作出報告。

董事及肩負管治責任者就綜合財務報表須承擔的責任

貴公司董事須負責根據國際會計準則理事會頒佈國際財務報告準則及香港公司條例的披露規定編製真實而公平地反映情況的綜合財務報表，及落實董事釐定對編製綜合財務報表屬必要的有關內部監控，以使該等綜合財務報表不會存在由於欺詐或錯誤而導致的重大錯誤陳述。

在編製綜合財務報表時，董事須負責評估貴集團持續經營的能力，並披露與持續經營有關的事項(如適用)。除非董事擬將貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則須採用以持續經營為基礎的會計法。

肩負管治責任者負責監督貴集團的財務報告流程。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審核綜合財務報表須承擔的 責任

我們的目標為合理確定此等綜合財務報表整體而言不會存在由於欺詐或錯誤而導致的重大錯誤陳述，並發出載有我們意見的核數師報告。我們根據委聘的協定條款僅向閣下整體報告，不作其他用途。我們並不就本報告的內容對任何其他人士承擔任何義務或接受任何責任。合理確定屬高層次的核證，惟根據香港審計準則進行的審核工作不能保證總能察覺所存在的重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，倘個別或整體在合理預期情況下可影響使用者根據該等綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

在根據香港審計準則進行審核的過程中，我們在整個審核中運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對該等風險，以及獲取充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或凌駕內部監控的情況，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部監控，以設計適當的審核程序，惟並非旨在對貴集團內部監控的有效性發表意見。
- 評估董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

核數師就審核綜合財務報表須承擔的 責任(續)

- 對董事採用持續經營會計基礎的恰當性作出結論，並根據所獲取的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。倘我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。倘有關披露不足，則修訂我們意見。我們結論乃基於截至核數師報告日期止所取得的審核憑證。然而，未來事項或情況可能導致貴集團無法持續經營。
- 評估綜合財務報表的整體呈報方式、結構及內容，包括披露資料，以及綜合財務報表是否中肯反映相關交易和事項。
- 就貴集團內實體或業務活動的財務資料獲取充足及適當的審核憑證，以便對綜合財務報表發表意見。我們負責集團審核的方向、監督和執行。我們為審核意見承擔全部責任。

我們與肩負管治責任者就(其中包括)審核的計劃範圍、時間安排及重大審核發現溝通，該等發現包括我們在審核過程中識別的內部監控的任何重大缺失。

我們亦向肩負管治責任者作出聲明，指出我們已符合有關獨立性的相關道德要求，並與彼等溝通可能被合理認為會影響我們獨立性的所有關係及其他事宜，以及相關防範措施(如適用)。



INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lung Kwok Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2020

核數師就審核綜合財務報表須承擔的 責任(續)

從與肩負管治責任者溝通的事項中，我們釐定對本期綜合財務報表的審核最為重要的事項，因而構成關鍵審核事項。我們在核數師報告中描述該等事項，除非法律或法規不允許公開披露該等事項，或在極端罕見的情況下，倘合理預期在我們報告中溝通某事項造成的負面後果超出產生的公眾利益，則我們決定不應在報告中傳達該事項。

出具獨立核數師報告的審核項目合夥人為Lung Kwok Hung。

德勤•關黃陳方會計師行
執業會計師
香港
二零二零年三月二十三日



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 2019 截至二零一九年十二月三十一日止年度

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Revenue	收入	6	5,514,210	4,956,811
Cost of sales before raw milk fair value adjustments	原料奶公平值調整前的銷售成本	8	(3,412,330)	(3,410,670)
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	8/23	(1,938,360)	(1,371,468)
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	23	(1,039,221)	(870,099)
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	23	1,938,360	1,371,468
Other income	其他收入	7	51,068	66,131
Impairment losses under expected credit loss model, net of reversal	預期信貸虧損模型下減值虧損，扣除撥回	10	161,335	(367,662)
Other gains and losses, net	其他收益及虧損淨額	8	(121,046)	(138,625)
Selling and distribution costs	銷售及分銷開支		(175,487)	(172,256)
Administrative expenses	行政開支		(276,739)	(232,450)
Other expenses	其他開支	7	(9,061)	(23,091)
Share of profits of associates	應佔聯營公司溢利		34,479	24,873
Profit/(loss) before finance costs and tax	除融資成本及稅項前溢利／(虧損)	8	727,208	(167,038)
Finance costs	融資成本	9	(376,795)	(338,622)
Profit/(loss) before tax	除稅前溢利／(虧損)		350,413	(505,660)
Income tax expense	所得稅開支	11	(556)	(513)
Profit/(loss) for the year	年內溢利／(虧損)		349,857	(506,173)
Other comprehensive income/(expense):	其他全面收入／(開支)：			
<i>Item that will not be reclassified to profit or loss:</i>	<i>不會重新分類為損益的項目：</i>			
Fair value gain/(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(「按公平值計入其他全面收入」)的權益工具投資公平值收益／(虧損)		1,451	(11,526)
Other comprehensive income/(expense) for the year, net of income tax	年內其他全面收入／(開支)，扣除所得稅		1,451	(11,526)
Total comprehensive income/(expense) for the year	年內全面收入／(開支)總額		351,308	(517,699)

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 2019 截至二零一九年十二月三十一日止年度

		NOTE 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Profit/(loss) for the year attributable to:	以下各方應佔年內溢利／ (虧損)：			
Owners of the Company	本公司擁有人		341,270	(496,088)
Non-controlling interests	非控股權益		8,587	(10,085)
			349,857	(506,173)
Total comprehensive income/(expense) for the year attributable to:	以下各方應佔年內全面收入／ (開支)總額：			
Owners of the Company	本公司擁有人		342,695	(507,404)
Non-controlling interests	非控股權益		8,613	(10,295)
			351,308	(517,699)
Earnings/(loss) per share (RMB)	每股盈利／(虧損)(人民幣)	15		
Basic	基本		5.54 cents 5.54分	(8.15) cents (8.15)分
Diluted	攤薄		5.52 cents 5.52分	(8.15) cents (8.15)分



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

AT 31 DECEMBER 2019 於二零一九年十二月三十一日

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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	3,455,068	3,920,685
Right-of-use assets	使用權資產	17	320,161	–
Land use rights	土地使用權	18	–	117,220
Goodwill	商譽	19	1,371,266	1,398,589
Interests in associates	於聯營公司的權益	20	215,392	180,913
Equity instruments at FVTOCI	按公平值計入其他全面收入的 權益工具	21	3,959	2,508
Biological assets	生物資產	23	7,459,359	7,717,113
			12,825,205	13,337,028
CURRENT ASSETS	流動資產			
Inventories	存貨	24	1,078,491	978,508
Trade and other receivables and advance payments	應收貿易賬款及其他應收款項 以及預付款項	25	618,288	781,173
Land use rights	土地使用權	18	–	4,002
Derivative financial instruments	衍生金融工具	22	89,543	80,424
Pledged bank balances and non-pledged bank deposits	已質押銀行結餘及未質押銀行 存款	26	147,775	61,355
Bank balances and cash	銀行結餘及現金	26	893,441	703,039
			2,827,538	2,608,501
Assets of a disposal group classified as held for sale	分類為持作出售的出售組別 資產	27	71,450	–
			2,898,988	2,608,501
CURRENT LIABILITIES	流動負債			
Trade and other payables	應付貿易賬款及其他應付款項	28	1,521,688	2,072,363
Tax payable	應課稅項		233	322
Bank borrowings	銀行借款	29	3,822,643	1,691,109
Medium-term notes	中期票據	30	–	621,880
Corporate bonds	公司債券	31	–	1,087,568
Other borrowings	其他借款	32	1,051,413	1,001,111
Lease liabilities	租賃負債	33	23,238	–
Derivative financial instruments	衍生金融工具	22	15,274	17,729
Contract liabilities	合約負債	34	189	232
			6,434,678	6,492,314
Liabilities of a disposal group classified as held for sale	分類為持作出售的出售組別 負債	27	2,196	–
			6,436,874	6,492,314
NET CURRENT LIABILITIES	流動負債淨額		(3,537,886)	(3,883,813)
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債		9,287,319	9,453,215

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

AT 31 DECEMBER 2019 於二零一九年十二月三十一日

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
CAPITAL AND RESERVES	資本及儲備			
Share capital	股本	36	551,007	526,058
Reserves	儲備	36	6,530,510	5,919,237
Equity attributable to owners of the Company	本公司擁有人應佔權益		7,081,517	6,445,295
Non-controlling interests	非控股權益		126,184	108,838
TOTAL EQUITY	總權益		7,207,701	6,554,133
NON-CURRENT LIABILITIES	非流動負債			
Bank borrowings	銀行借款	29	1,715,831	2,746,393
Lease liabilities	租賃負債	33	206,109	–
Deferred income	遞延收入	35	157,678	152,689
			2,079,618	2,899,082
			9,287,319	9,453,215

The consolidated financial statements on pages 112 to 262 were approved and authorised for issue by the board of directors on 23 March 2020 and are signed on its behalf by:

載於第112至262頁的綜合財務報表於二零二零年三月二十三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 2019 截至二零一九年十二月三十一日止年度

		Attributable to owners of the Company 本公司擁有人應佔										
		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	計劃項下所持有的股份	計入其他全面收入儲備	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 36)		(Note 37(b))	(Note 37(b))					
				(附註36)		(附註37(b))	(附註37(b))					
At 1 January 2018	於二零一八年一月一日	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 37(b))	就股份獎勵計劃的股份購買(附註37(b))	-	-	-	-	-	(23,583)	-	-	(23,583)	-	(23,583)
Recognition of equity-settled share-based payment (Note 37(b))	確認按股權結算以股份支付的付款(附註37(b))	-	-	-	-	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
Adjustment (Note 3)	調整(附註3)	-	-	-	-	-	-	-	(21,039)	(21,039)	(391)	(21,430)
At 1 January 2019 (restated)	於二零一九年一月一日(經重列)	526,058	4,641,066	979,953	5,286	23,163	(85,720)	(23,118)	357,568	6,424,256	108,447	6,532,703
Profit for the year	年內溢利	-	-	-	-	-	-	-	341,270	341,270	8,587	349,857
Other comprehensive income for the year	年內其他全面收入	-	-	-	-	-	-	1,425	-	1,425	26	1,451
Total comprehensive income for the year	年內全面收入總額	-	-	-	-	-	-	1,425	341,270	342,695	8,613	351,308
Share purchase for the Share Award Schemes (Note 37(b))	就股份獎勵計劃的股份購買(附註37(b))	-	-	-	-	-	(31,127)	-	-	(31,127)	-	(31,127)
Reversal due to vesting of award shares (Note 37(b))	因獎勵股份歸屬而撥回(附註37(b))	-	-	-	-	(43,806)	59,835	-	(16,029)	-	-	-
Recognition of equity-settled share-based payment (Note 37(b))	確認按股權結算以股份支付的付款(附註37(b))	-	-	-	-	25,553	-	-	-	25,553	-	25,553
Ordinary shares issued (Note 36)	已發行普通股(附註36)	24,949	304,315	-	-	-	-	-	-	329,264	-	329,264
Equity transactions related to interest free loans (Note 36)	有關免息貸款的股權交易(附註36)	-	-	(9,124)	-	-	-	-	-	(9,124)	9,124	-
At 31 December 2019	於二零一九年十二月三十一日	551,007	4,945,381	970,829	5,286	4,910	(57,012)	(21,693)	682,809	7,081,517	126,184	7,207,701

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

	NOTE 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
OPERATING ACTIVITIES			
Profit/(loss) before tax		350,413	(505,660)
Adjustments for:			
Depreciation of property, plant and equipment charged to profit or loss		308,783	315,034
Depreciation of right-of-use assets charged to profit or loss		10,563	-
Impairment loss on property, plant and equipment		45,287	36,444
Impairment losses under expected credit loss model, net of reversal		(161,335)	367,825
Impairment loss on goodwill		27,323	25,950
Release of land use rights		-	4,012
Bank interest income		(11,169)	(11,034)
Government grants credited to income		(19,030)	(19,067)
Finance costs		376,795	338,622
Share of profits of associates		(34,479)	(24,873)
Gains on disposal of subsidiaries		-	(18,193)
Gains on fair value changes of derivative financial instruments		(50,556)	(35,949)
Loss on disposal of property, plant and equipment		16,879	4,768
Gains on derecognition of financial liabilities		(839)	(1,352)
Net foreign exchange loss from borrowings	41	84,167	129,611
Equity-settled share award expense		25,553	8,646
Loss arising from changes in fair value less costs to sell of dairy cows		1,039,221	870,099
Operating cash flows before movements in working capital		2,007,576	1,484,883
Increase in inventories		(73,937)	(100,322)
Decrease/(increase) in trade and other receivables and advance payments		323,076	(261,521)
(Decrease)/increase in trade and other payables		(206,935)	283,300
Decrease in contract liabilities		(43)	(116)
Cash generated from operations		2,049,737	1,406,224
Income tax paid		(645)	(193)
NET CASH FROM OPERATING ACTIVITIES		2,049,092	1,406,031



CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

		NOTE 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
INVESTING ACTIVITIES	投資活動			
Interest received	已收利息		11,336	10,785
Purchases of property, plant and equipment	購入物業、廠房及設備		(279,332)	(424,087)
Payments for right-of-use assets	使用權資產付款		(95)	-
Payments for rental deposits	租賃按金付款		(61)	-
Investment in an equity instrument	權益工具投資		-	(1,100)
Investments in associates	於聯營公司的投資		-	(100,000)
Addition in biological assets	生物資產增置		(1,279,678)	(1,161,254)
Placement of pledged bank balances	存入已質押銀行結餘		(47,122)	(39,875)
Withdrawal of pledged bank balances	提取已質押銀行結餘		28,355	94,987
Placement of non-pledged bank deposits with original maturity over three months	存入原到期日超過三個月的未質押銀行存款		(67,653)	-
Withdrawal of non-pledged bank deposits with original maturity over three months	提取原到期日超過三個月的未質押銀行存款		-	15,000
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		9,208	14,371
Proceeds from disposal of dairy cows	出售乳牛所得款項		575,156	609,246
Net cash outflow from disposal of subsidiaries	出售附屬公司的現金流出淨額	38	-	(91,560)
Government grants received	已收政府補貼		24,019	11,899
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用現金淨額		(1,025,867)	(1,061,588)



CONSOLIDATED STATEMENT OF CASH FLOWS 綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

		NOTE 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
FINANCING ACTIVITIES	融資活動			
Interest paid	已付利息		(357,054)	(364,778)
New bank borrowings raised	新籌得銀行借款		3,838,876	2,679,840
Repayment of bank borrowings	償還銀行借款		(2,822,695)	(1,470,974)
Proceeds from other borrowings	其他借款所得款項		2,121,250	1,500,000
Repayment of other borrowings	償還其他借款		(2,071,250)	(1,510,273)
Proceeds from discounting bills receivable	應收票據貼現所得款項		-	81,845
Payment of transaction cost for bank borrowings	支付銀行借款的交易成本		(24,187)	-
Repayment of corporate bonds	償還公司債券		(1,050,000)	-
Repayment of medium-term notes	償還中期票據		(600,000)	(1,200,000)
Repayment of amounts due to Mengniu	償還應付蒙牛款項		(150,000)	-
Repayments of leases liabilities	償還租賃負債		(15,137)	-
Payment for repurchase of ordinary shares	購買普通股付款		(31,127)	(23,583)
Proceeds from issue of shares	發行股份所得款項		329,264	-
NET CASH USED IN FINANCING ACTIVITIES	融資活動所用現金淨額		(832,060)	(307,923)
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物增加淨額		191,165	36,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	年初現金及現金等價物		703,039	666,519
CASH AND CASH EQUIVALENTS AT END OF YEAR, Represented by bank balances and cash	年末現金及現金等價物， 以銀行結餘及現金呈列		894,204	703,039
Cash and cash equivalents as stated in the consolidated statement of financial position	綜合財務狀況表所示現金及 現金等價物		893,441	703,039
Cash and cash equivalents attributable to the disposal group classified as held for sale	分類為持作出售的出售組別 應佔現金及現金等價物	27	763	-
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS	綜合現金流量表所示現金及 現金等價物		894,204	703,039



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

1. GENERAL

China Modern Dairy Holdings Ltd. (the “**Company**”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the People’s Republic of China (the “**PRC**”).

As at 31 December 2019, China Mengniu Dairy Co., Ltd. (“**Mengniu**”) and its wholly-owned subsidiary together owned 58.15% 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**”).

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparation of the consolidated financial statements for the year ended 31 December 2019, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its total current assets by RMB3,537,886,000 (2018: RMB3,883,813,000). Taking into account, (i) the available credit facilities of approximately RMB3,753,402,000 which remain unutilised as at 31 December 2019 (These credit facilities included an amount of RMB300,000,000 from Inner Mongolia Mengniu Dairy (Group) Company Limited (“**Inner Mongolia Mengniu**”), a subsidiary of Mengniu, expiring in December 2021 (Note 46(d)), and the remaining credit facilities of RMB3,453,402,000 are from banks.); (ii) save as the credit facilities disclosed above, the Group acquired additional credit facilities of RMB2,650,000,000 from banks subsequent to the balance sheet date until the reporting date; and (iii) the expected net cash inflows generated from the Group’s operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1. 一般資料

中國現代牧業控股有限公司(「**本公司**」)為一間根據開曼群島公司法在開曼群島註冊成立及登記的獲豁免有限公司。其股份自二零一零年十一月二十六日在香港聯合交易所有限公司(「**聯交所**」)主板上市。本公司的註冊辦事處位於Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands。本公司主要營業地點則位於中華人民共和國(「**中國**」)安徽省馬鞍山市經濟技術開發區。

於二零一九年十二月三十一日，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58.15%。

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**」)。

2. 綜合財務報表的編製基準

在編製截至二零一九年十二月三十一日止年度的綜合財務報表時，鑒於本集團的流動負債超出其流動資產總值人民幣3,537,886,000元(二零一八年：人民幣3,883,813,000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(i)於二零一九年十二月三十一日的可供動用信貸融資約人民幣3,753,402,000元並未動用。(該等信貸融資包括來自內蒙古蒙牛乳業(集團)股份有限公司(「**內蒙古蒙牛**」，蒙牛的附屬公司)人民幣300,000,000元(二零二一年十二月屆滿)(附註46(d))，剩餘信貸融資人民幣3,453,402,000元來自銀行。)；(ii)除上述披露的信貸融資外，於資產負債表日期後直至報告日期止本集團向銀行取得額外信貸融資人民幣2,650,000,000元；及(iii)未來十二個月本集團營運產生的預期現金流入淨額，董事信納本集團將能夠在可將來在到期時充分履行其財務責任。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 2019 截至二零一九年十二月三十一日止年度

3. 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 16	<i>Leases</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2015–2017 Cycle</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.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

3. 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16號	租賃
國際財務報告詮釋委員會第23號	所得稅不確定性的處理
國際財務報告準則第9號的修訂	具有負補償的提前還款特性
國際會計準則第19號的修訂	計劃修訂、縮減或清償
國際會計準則第28號的修訂	於聯營公司及合營企業的長期權益
國際財務報告準則的修訂	國際財務報告準則年度改進(二零一五年至二零一七年週期)

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。

國際財務報告準則第16號

於本年度，本集團已首次應用國際財務報告準則第16號。國際財務報告準則第16號取代國際會計準則第17號租賃(「國際會計準則第17號」)及相關詮釋。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. 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) IFRS 16 Leases (continued)

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

3. 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) 國際財務報告準則第16號(續) *租賃的定義*

本集團選擇實際權宜方式將國際財務報告準則第16號應用於過往識別為租賃的合約(採用國際會計準則第17號及國際財務報告詮釋委員會第4號斷定安排是否包含租賃)，且不會將該準則應用於過往未識別為包含租賃的合約。因此，本集團並無重新評估於初次應用日期前已存在的合約。

就於二零一九年一月一日或之後訂立或修訂的合約而言，本集團根據國際財務報告準則第16號所載要求應用租賃的定義，以評估合約是否包含租賃。

作為承租人

本集團已追溯應用國際財務報告準則第16號，且於初步應用日期(二零一九年一月一日)確認其累計影響。

於二零一九年一月一日，本集團按賬面值確認額外租賃負債及計量使用權資產，猶如自開始日期起已應用國際財務報告準則第16號，惟應用國際財務報告準則第16號C8(b)(i)過渡，於首次應用日期使用相關集團實體的增量借款利率貼現。於初步應用日期的任何差額在期初保留盈利確認，且比較資料尚未重列。



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3. 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) IFRS 16 Leases (continued)

As a lessee (continued)

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the PRC was determined on a portfolio basis.

There is no practical expedient used for extension and termination options.

3. 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) 國際財務報告準則第16號(續)

作為承租人(續)

於過渡階段，本集團根據國際財務報告準則第16號應用經修訂追溯法時，以相關租賃合約為限，對先前根據國際會計準則第17號按租賃基準分類為經營租賃的租賃應用以下實際權宜方式：

- i. 透過應用國際會計準則第37號撥備、或然負債及或然資產作為減值審閱的替代方法，評估租賃是否屬有償；
- ii. 選擇不就租期於初步應用日期起計12個月內結束租賃確認使用權資產及租賃負債；
- iii. 於初步應用日期計量使用權資產時撇除初始直接成本；及
- iv. 就類似經濟環境內的類似相關資產類別對餘下期間類似的租賃組合應用單一貼現率。具體而言，有關中國的機械及設備若干租賃的貼現率乃按組合形式釐定。

並無就續期及終止選擇權使用實際權宜方法。



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FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

3. 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)

IFRS 16 Leases (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 5.13% to 5.20%.

3. 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)

國際財務報告準則第16號(續)

作為承租人(續)

於確認先前分類為經營租賃的租賃負債時，本集團已於初步應用日期應用相關集團實體的增量借款利率。相關集團實體所應用加權平均增量借款利率範圍介乎5.13%至5.20%。

At 1 January
2019於二零一九年
一月一日
RMB'000
人民幣千元

Lease liabilities	租賃負債	209,125
Analysed as	分析為	
Current	流動	18,421
Non-current	非流動	190,704

Note: The lease liabilities as at 1 January 2019 have included the operating lease commitments disclosed as at 31 December 2018; included the leases for lands at variable lease payments that depend on index, measured using the index at the commencement date; and excluded short-term leases. They are discounted at relevant incremental borrowing rates.

附註：於二零一九年一月一日的租賃負債包括於二零一八年十二月三十一日所披露的經營租賃承擔；包括可變租賃付款(視乎指數而定)的土地租賃，其於開始日期使用指數計量；並排除短期租約。彼等以相關增量借款利率貼現。



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綜合財務報表附註

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3. 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)

IFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

3. 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)

國際財務報告準則第16號(續)

作為承租人(續)

於二零一九年一月一日的使用權資產賬面值如下：

	NOTES 附註	RMB'000 人民幣千元
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	與應用國際財務報告準則第16號後確認經營租賃相關的使用權資產	187,695
Reclassified from land use rights	自土地使用權重新分類	121,222
Reclassified from trade and other receivables and advance payments	自應收貿易賬款及其他應收款項以及預付款項重新分類	193
		309,110
By class:	按類別：	
Leasehold lands	租賃土地	265,178
Machinery and equipment	機械及設備	43,932
		309,110

Notes:

- i. Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of land use rights amounting to RMB4,002,000 and RMB117,220,000 respectively were reclassified to right-of-use assets.
- ii. Advance lease payments for leased lands in the PRC were classified as trade and other receivables and advance payments as at 31 December 2018. Upon application of IFRS 16, advance lease payments amounting to RMB193,000 was reclassified to right-of-use assets.

附註：

- i. 於二零一八年十二月三十一日，於中國租賃土地的預付款項分類為土地使用權。應用國際財務報告準則第16號後，土地使用權的即期及非即期部分分別人民幣4,002,000元及人民幣117,220,000元已重新分類至使用權資產。
- ii. 於二零一八年十二月三十一日，於中國租賃土地的租賃付款墊款分類為應收貿易賬款及其他應收款項及付款墊款。應用國際財務報告準則第16號後，租賃付款墊款人民幣193,000元已重新分類至使用權資產。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

3. 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)

IFRS 16 Leases (continued)

As a lessee (continued)

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 January 2019.

3. 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)

國際財務報告準則第16號(續)

作為承租人(續)

下表概述過渡至國際財務報告準則第16號對於二零一九年一月一日保留盈利的影響。

Impact of adopting IFRS 16 at 1 January 2019

於二零一九年一月一日採納國際財務報告準則第16號的影響

RMB'000

人民幣千元

Retained earnings:	保留盈利：	
Impact under modified retrospective approach at 1 January 2019	於二零一九年一月一日經修訂追溯法項下影響	21,039

Note: The amounts represent the portion attributable to owners of the Company regarding the amount of RMB21,430,000, being the difference between RMB187,695,000, the right-of-use assets recognised relating to operating leases upon application of IFRS 16, and RMB209,125,000, lease liabilities recognised relating to operating leases upon application of IFRS 16.

附註：該金額指本公司擁有人應佔部分人民幣21,430,000元，即人民幣187,695,000元(就應用國際財務報告準則第16號後經營租賃確認使用權資產)與人民幣209,125,000元(就應用國際財務報告準則第16號後經營租賃確認租賃負債)之間差額。



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綜合財務報表附註

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3. 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)
IFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

3. 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)

國際財務報告準則第16號(續)

作為承租人(續)

以下為於二零一九年一月一日對綜合財務狀況表確認的金額作出之調整。不受變動影響之項目不包括在內。

			Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
		NOTES 附註	於二零一八年十二月三十一日報告的賬面值 RMB'000 人民幣千元	調整 RMB'000 人民幣千元	於二零一九年一月一日根據國際財務報告準則第16號的賬面值 RMB'000 人民幣千元
Non-current Assets	非流動資產				
Land use rights	土地使用權	i	117,220	(117,220)	-
Right-of-use assets	使用權資產		-	309,110	309,110
Current Assets	流動資產				
Land use rights	土地使用權	i	4,002	(4,002)	-
Trade and other receivables and advance payments	應收貿易賬款及其他應收款項以及預付款項	ii	781,173	(193)	780,980
Capital and Reserves	資本及儲備				
Retained earnings	保留盈利		(378,607)	21,039	(357,568)
Non-controlling interests	非控股權益		(108,838)	391	(108,447)
Current Liabilities	流動負債				
Lease liabilities	租賃負債		-	(18,421)	(18,421)
Non-current Liabilities	非流動負債				
Lease liabilities	租賃負債		-	(190,704)	(190,704)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

附註：營運資金變動已按以上所披露於二零一九年一月一日之期初綜合財務狀況表計算，以作呈報截至二零一九年十二月三十一日止年度以間接法計算之經營活動現金流量之用。

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3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

("IFRSs") (continued)

(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 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 3	<i>Definition of a Business</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁵
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ⁴
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ⁴

1. Effective for annual periods beginning on or after 1 January 2021.
2. 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.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2020.
5. Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 應用新訂及經修訂國際財務報告準則(「國際財務報告準則」)(續)

(b) 已頒佈惟尚未生效的新訂及經修訂國際財務報告準則

本集團並無提早應用以下已頒佈惟尚未生效的新訂及經修訂國際財務報告準則：

國際財務報告準則第17號	保險合約 ¹
國際財務報告準則第3號的修訂	業務定義 ²
國際財務報告準則第10號及國際會計準則第28號的修訂	投資者與其聯營公司或合營公司之間的資產銷售或投入 ³
國際會計準則第1號的修訂	負債分類為流動或非流動 ⁵
國際會計準則第1號及國際會計準則第8號的修訂	重大的定義 ⁴
國際財務報告準則第9號、國際會計準則第39號及國際財務報告準則第7號的修訂	利率基準改革 ⁴

1. 於二零二一年一月一日或之後開始的年度期間生效。
2. 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。
3. 於待定期或之後開始的年度期間生效。
4. 於二零二零年一月一日或之後開始的年度期間生效。
5. 於二零二二年一月一日或之後開始的年度期間生效。

除上文新訂及經修訂國際財務報告準則外，二零一八年頒佈了經修訂財務報告之概念框架。其重大修訂(國際財務報告準則之概念框架指引之修訂)將於二零二零年一月一日或之後開始的年度期間生效。

董事預期應用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。

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

4. 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 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) derivative financial instruments, which are measured at fair values at the end of each reporting period as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), 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* ("IAS 36").

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.

4. 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)衍生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、根據國際財務報告準則第16號(自二零一九年一月一日起)或國際會計準則第17號(應用國際財務報告準則第16號前)入賬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(「國際會計準則第36號」)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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4. 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.

4. 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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4. 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.

4. 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擁有人及非控股權益，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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4. 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.

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 CGU (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.

4. 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，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。

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(或現金產生單位組別)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(或現金產生單位組別)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(或現金產生單位組別)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。就商譽確認的減值虧損不會於往後期間撥回。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

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 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 is not allocated to any asset, including goodwill, that 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.

4. 重要會計政策(續)

於聯營公司的投資

聯營公司為本集團擁有重大影響力的實體。重大影響力為可參與被投資者的財政及營運政策決定而非對該等政策施加控制或共同控制。

聯營公司的業績及資產以及負債採用權益會計法計入該等綜合財務報表。權益會計法所用聯營公司的財務報表按本集團於類似情況下就同類交易及事件採用的一致會計政策編製。根據權益法，於聯營公司的投資初步按成本於綜合財務狀況表確認，並於其後就確認本集團分佔聯營公司損益及其他全面收入作出調整。該聯營公司資產淨值(損益及其他全面收入除外)變動不予入賬，除非該等變動導致本集團持有的所有權出現變動。當本集團分佔聯營公司的虧損超出本集團於該聯營公司的權益(包括實質上構成本集團於聯營公司的投資淨額一部分的任何長期權益)時，本集團終止確認其分佔的進一步虧損。僅於本集團已產生法定或推定責任，或已代表聯營公司支付款項的情況下，方會確認額外虧損。

聯營公司投資自被投資者成為聯營公司該日起使用權益法入賬。

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並無分配予任何資產(包括商譽)屬投資賬面值的一部分。減值虧損的任何撥回乃按國際會計準則第36號確認，惟僅限於投資的可收回金額隨後增加。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments in associates (continued)

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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9 Financial Instruments ("IFRS 9"), which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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.

4. 重要會計政策(續)

於聯營公司的投資(續)

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。

持作出售的非流動資產及出售組別

倘非流動資產及出售組別的賬面值將主要透過銷售交易而非持續使用收回，則有關非流動資產及出售組別分類為持作出售。只有當資產(或出售組別)在其當前狀態下可立即出售，且僅受出售該資產(或出售組別)的通常及習慣條款的約束，且該資產(或出售組別)極有可能出售時，才視為滿足該條件。管理層必須致力於出售，預計出售將在分類之日起一年內被確認為已完成出售。

當本集團致力於涉及喪失對附屬公司控制權的銷售計畫時，當滿足上述標準時，該附屬公司的所有資產及負債均被歸類為持作出售，無論本集團在出售後是否保留對相關附屬公司的非控股權益。

分類為持作出售的非流動資產(及出售組別)按其以前的賬面值及公平值減去出售成本後的較低者計量，惟國際財務報告準則第9號金融工具(「國際財務報告準則第9號」)範圍內的金融資產除外，其繼續按照相關章節列出的會計政策計量。

客戶合約收入

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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue from contracts with customers (continued)

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.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception modification date or acquisition date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. 重要會計政策(續)

客戶合約收入(續)

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。

租賃

租賃的定義(根據附註3的過渡條文應用國際財務報告準則第16號後)

倘合約授予權利以代價為交換在某一時期內控制使用已識別資產，則該合約屬於租賃或包含租賃。

就於初次應用日期或之後訂立或修訂的合約而言，本集團根據國際財務報告準則第16號於開始修訂日期或收購日期的定義評估合約是否屬於或包含租賃。除非合約條款及條件其後改變，否則不得重新評估該合約。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(根據附註3的過渡條文應用國際財務報告準則第16號後)

分配代價至合約組成部分

就包含租賃組成部分及一項或多項額外租賃或非租賃組成部分的合約而言，本集團根據租賃組成部分的相對獨立價格及非租賃組成部分的獨立價格總額將合約代價分配至各租賃組成部分。

本集團採用實際權宜之計，不將非租賃組成部分與租賃組成部分分開，取而代之將租賃組成部分及任何相關的非租賃組成部分以單一租賃組成部分入賬。

短期租賃及低價值資產租賃

本集團將短期租賃確認豁免應用於自開始日期起計為期12個月或更短期且並不包含購買選擇權的汽車、機械及設備及樓宇租賃。其亦就低價值資產租賃應用確認豁免。短期租賃及低價值資產租賃的租賃付款於租期內以直線法或另一系統基準確認為開支。

使用權資產

使用權資產的成本包括：

- 租賃負債的初步計量金額；
- 於開始日期或之前所作的任何租賃付款，減任何已收取的租賃優惠；
- 本集團產生的任何初始直接成本；及
- 本集團在拆除及移除相關資產、恢復其所在地點或將相關資產恢復至租賃條款及條件所要求的狀況時所產生的估計成本。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3) (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(根據附註3的過渡條文應用國際財務報告準則第16號後)(續)

使用權資產(續)

使用權資產按成本減任何累計折舊及減值虧損計量，並就租賃負債任何重新計量作出調整。

使用權資產按其估計可使用年期及租期中的較短者以直線法折舊。

本集團於綜合財務狀況表中將使用權資產獨立呈列。

可退回租賃按金

已付可退回租賃按金根據國際財務報告準則第9號入賬，並初步按公平值計量。於初步確認時對公平值所作調整被視為額外租賃付款並計入使用權資產成本。

租賃負債

於租賃開始日期，本集團按當日未支付的租賃付款現值確認及計量租賃負債。於計算租賃付款的現值時，倘租賃所含的利率不能即時釐定，則本集團會於租賃開始日期使用增量借款利率。

租賃付款包括：

- 固定付款(包括實質固定付款)減任何應收租賃優惠；
- 可變租賃付款(視乎指數或利率而定)；及
- 倘租期反映本集團行使終止選擇權，則支付終止租賃的罰款。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3) (continued)

Lease liabilities (continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(根據附註3的過渡條文應用國際財務報告準則第16號後)(續)

租賃負債(續)

反映市場租金變動的可變租賃付款初步使用於開始日期的市場租金計量。不會依賴指數或利率的可變租賃付款不計入租賃負債及使用權資產計量，並在觸發付款的事件或條件出現的期間內確認為開支。

在開始日期後，租賃負債透過利息增加及租賃付款進行調整。

於下列情況下，本集團重新計量租賃負債(並對相關的使用權資產進行相應調整)：

- 租期有所變動或行使購買選擇權的評估發生變化，在該情況下，相關租賃負債透過使用重新評估當日經修訂貼現率貼現經修訂租賃付款而重新計量。
- 租賃付款因市場租金審查導致市場租賃利率變動而有所變化，在該情況下，相關租賃負債透過使用初始貼現率貼現經修訂租賃付款而重新計量。

本集團於綜合財務狀況表中將租賃負債獨立呈列。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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.

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.

4. 重要會計政策(續)

租賃(續)

本集團作為承租人(根據附註3的過渡條文應用國際財務報告準則第16號後)(續)

租賃修訂

倘出現以下情況，本集團將租賃的修訂作為一項單獨租賃入賬：

- 該修訂透過增加一項或多項相關資產的使用權利而擴大租賃範圍；及
- 租賃代價增加的金額相當於擴大範圍對應的單獨價格，加上以反映特定合約的情況對單獨價格進行的任何適當調整。

對於不作為一項單獨租賃入賬的租賃修訂，本集團使用修訂生效日期經修訂貼現率貼現經修訂租賃付款，按經修訂租賃的租期重新計量租賃負債。

本集團通過對相關使用權資產進行相應調整，以對租賃負債進行重新計量。當經修改合約包含租賃成分以及一項或多項額外租賃或非租賃成分時，本集團根據租賃成分的相對獨立價格及非租賃成分的獨立價格總額將經修改合約中的代價分配至各租賃組成部分。

本集團作為承租人(二零一九年一月一日前)

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。

經營租賃付款(包括收購經營租賃項下持有的土地的成本)於租期按直線法確認為開支。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Land use rights (prior to 1 January 2019)

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.

4. 重要會計政策(續)

土地使用權(二零一九年一月一日前)

土地使用權指本集團就土地租賃權益的預付租賃付款。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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4. 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.

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.

4. 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、興建或以其他方式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使用年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。

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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payments

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 schemes is reversed and the differences arising from the reversal is adjusted to retained earnings.

4. 重要會計政策(續)

以股份支付的付款

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(購股權儲備或股份獎勵儲備)。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，並對購股權儲備或股份獎勵儲備作出相應調整。

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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payments (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.

4. 重要會計政策(續)

以股份支付的付款(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)，惟倘該付款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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4. 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.

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.

4. 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。

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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxable entity by the same taxation authority.

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.

4. 重要會計政策(續)

稅項(續)

為計量本集團確認使用權資產及相關租賃負債的租賃交易的遞延稅項，本集團首先確定稅項扣減是否歸屬於使用權資產或租賃負債。

就租賃交易而言，稅項扣減歸屬於租賃負債，本集團就租賃交易整體應用國際會計準則第12號所得稅之規定。有關使用權資產及租賃負債的暫時差額按淨額基準評估。使用權資產折舊超出租賃負債本金部分租賃付款的差額導致可扣減暫時差額淨額。

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，且與同一稅務機關向同一應課稅實體徵收之所得稅有關，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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4. 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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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 property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives 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).

4. 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。成本包括使資產達到能夠按照管理層擬定的方式經營所必要的位置及條件而直接應佔的任何成本，以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。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。

物業、廠房及設備、使用權資產及無形資產(商譽除外)減值

於報告期末，本集團檢討其可使用年期有限的物業、廠房及設備、使用權資產、無形資產的賬面值，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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (continued)

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

4. 重要會計政策(續)

物業、廠房及設備、使用權資產及無形資產(商譽除外)減值(續)

物業、廠房及設備、使用權資產及無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。

此外，本集團評估有否跡象顯示公司資產可能出現減值。倘出現有關跡象，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。對於不可按合理及一致的基準分配至現金產生單位的公司資產或公司資產部分，本集團將現金產生單位組別的賬面值(包括分配至該現金產生單位組別的公司資產或公司資產部分的賬面值)與現金產生單位組別可收回金額作比較。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，然後再基於單位或現金產生單位組別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或現金產生單位組別的其他資產。減值虧損即時於損益中確認。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

4. 重要會計政策(續)

物業、廠房及設備、使用權資產及無形資產(商譽除外)減值(續)

凡減值虧損於其後撥回，資產(或現金產生單位或現金產生單位組別)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(或現金產生單位或現金產生單位組別)並無確認減值虧損而釐定的賬面值。減值虧損的撥回即時於損益中確認。

存貨

存貨乃按成本與可變現淨值兩者中的較低者列賬。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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments

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

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 *Revenue from Contracts with Customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("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.

4. 重要會計政策(續)

金融工具

金融資產及金融負債於一間集團實體成為工具合約條文訂約方時確認。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。

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(初步按國際財務報告準則第15號客戶合約收入(「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(「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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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.

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 selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/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 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.

4. 重要會計政策(續)

金融工具

金融資產

金融資產的分類及其後計量

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。

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：

- 於目的為同時出售及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。

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，於首次應用國際財務報告準則第9號／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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets
(continued)

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.

- (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 other comprehensive income 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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(續)

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。

- (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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI (continued)

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.

(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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, pledged bank balances, non-pledged bank deposits and bank balances) which are subject to impairment under IFRS 9. 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, 12-months ECL ("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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產的分類及其後計量(續)

(ii) 指定為按公平值計入其他全面收入的權益工具(續)

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。

(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。

金融資產減值

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)進行預期信貸虧損(「預期信貸虧損」)模式項下減值評估。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(「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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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.

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;

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(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乃個別評估。

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，除非自初始確認起信貸風險顯著增加，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。

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；

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

- (i) Significant increase in credit risk (continued)
- 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.

- (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).

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

- (i) 信貸風險顯著增加(續)
- 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。

- (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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default (continued)

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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

(ii) 違約定義(續)

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，除非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) 信貸減值金融資產

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)發生時維持信貸減值。金融資產維持信貸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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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (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.

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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(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質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。

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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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 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.

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.

4. 重要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

(v) 預期信貸虧損的計量及確認(續)

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。

於取消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。

金融負債及權益

分類為債務或權益

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。

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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

A financial liability is 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.

4. 重要會計政策(續)

金融工具(續)

金融負債及權益(續)

權益工具

權益工具指證明在扣除所有負債後本集團於資產的剩餘權益的任何合約。本公司發行的權益工具按扣除直接發行成本後的已收所得款項確認。

購回本公司本身的權益工具直接於權益內確認及扣減。不會於損益內就購買、出售、發行或註銷本公司本身的權益工具確認收益或虧損。

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。

倘屬以下情況，金融負債為持作買賣：

- 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，並具有短期賺取溢利的近期實際模式；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。



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4. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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.

4. 重要會計政策(續)

金融工具(續)

金融負債及權益(續)

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。

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於損益確認。

5. 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4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。



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5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 market observable 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 ("kg") 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 2019 was RMB7,459,359,000 (2018: RMB7,717,113,000). Further details are given in Notes 23 and 42.

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 pre-tax 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 2019, the carrying amount of goodwill was RMB1,371,266,000 (2018: RMB1,398,589,000), net of accumulated impairment loss of RMB164,620,000 (2018: RMB137,297,000). Details of the recoverable amount calculation are disclosed in Note 19.

5. 估計不確定性的主要來源(續)

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。就奶牛而言，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(「千克」)原料奶的估計飼養成本、各哺乳期的估計平均每日產奶量及原料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。於二零一九年十二月三十一日，本集團生物資產的賬面值為人民幣7,459,359,000元(二零一八年：人民幣7,717,113,000元)。進一步詳情載於附註23及42。

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稅前貼現率以計算現值。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。

於二零一九年十二月三十一日，商譽的賬面值為人民幣1,371,266,000元(二零一八年：人民幣1,398,589,000元)，扣除累計減值虧損人民幣164,620,000元(二零一八年：人民幣137,297,000元)。有關可收回款項計算的詳情於附註19中披露。



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6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Types of goods	商品類型		
Raw milk	原料奶	5,514,210	4,715,942
Liquid milk products	液態奶產品	-	240,869
Total	總計	5,514,210	4,956,811
Timing of revenue recognition	收入確認時間		
A point in time	時間點	5,514,210	4,956,811

(ii) Performance obligations for contracts with customers

The Group sells raw milk directly to dairy product manufactures. For sales of raw milk to its customers, revenue is recognised when control of the goods has been 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 days upon invoice date.

(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. 收入及分部資料

(i) 收入細分

(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。就向其客戶銷售原料奶而言，收入於已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。一般信貸期為發票日期後30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。

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6. REVENUE AND SEGMENT INFORMATION 6. 收入及分部資料(續)

(continued)

(iv) Segment information

IFRS 8 *Operating Segments* ("IFRS 8") requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), in order to allocate resources and to assess performance. During the two years ended 31 December 2019, the CODM assesses the operating performance and allocates resources of the Group as a whole, as all of the Group's activities are considered to be primarily the provision of raw milk in the PRC. Accordingly, the Directors consider there is only one operating segment under the requirements of IFRS 8. In addition, 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 the Group is 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. In this regard, no segment information is presented.

(v) Information about major customers

Included in revenue arising from sales of raw milk to external customers of approximately RMB4,702,150,000 (2018: RMB4,222,146,000) arose from sales to a single customer ("Customer A"). During the year ended 31 December 2018, the Group also sold liquid milk products of RMB239,995,000 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 2019.

(iv) 分部資料

國際財務報告準則第8號經營分部(「國際財務報告準則第8號」)規定根據主要營運決策者(「主要營運決策者」)定期審閱的有關本集團組成部分的內部報告識別經營分部，以分配資源及評估表現。截至二零一九年十二月三十一日止兩個年度，主要營運決策者評估本集團的整體經營業績並分配其整體資源，乃由於本集團的所有活動主要被視為在中國提供的原料奶。因此，董事認為，根據國際財務報告準則第8號只有一個經營分部。此外，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，而本集團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。就此而言，並無呈列分部資料。

(v) 有關主要客戶的資料

計入外部客戶原料奶銷售收入約人民幣4,702,150,000元(二零一八年：人民幣4,222,146,000元)為向單一客戶(「客戶A」)銷售所產生的收入。截至二零一八年十二月三十一日止年度，本集團亦向客戶A出售液態奶產品人民幣239,995,000元。截至二零一九年十二月三十一日止兩個年度各年，並無其他單一客戶向本集團貢獻10%或以上收入。



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7. OTHER INCOME AND OTHER EXPENSES

Other income

7. 其他收入及其他開支

其他收入

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Bank interest income	銀行利息收入	11,169	11,034
Government grants related to	就以下各項授出的政府補貼：		
– Assets (Note 35)	– 資產(附註35)	19,030	19,067
– Others (Note)	– 其他(附註)	13,593	24,606
		32,623	43,673
Others	其他	7,276	11,424
		51,068	66,131

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

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Donation expenses	捐贈開支	545	225
Loss from sales of milk powders (Note i)	出售奶粉虧損(附註i)	-	321
Compensation for termination of a contract (Note ii)	終止合約的補償(附註ii)	-	12,000
Others	其他	8,516	10,545
		9,061	23,091

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, 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，擬用於飼養小牛。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，即奶粉的賬面值高於已收所得款項的部分。
- 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. PROFIT (LOSS) BEFORE FINANCE COSTS AND TAX

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

8. 除融資成本及稅項前溢利(虧損)

除融資成本及稅項前溢利(虧損)乃扣除(計入)下列各項後計算得出：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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	3,412,330	3,243,770
Production costs for liquid milk products	液態奶產品的生產成本	-	166,900
		3,412,330	3,410,670
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	1,938,360	1,371,468
		5,350,690	4,782,138
Other gains and losses, net:	其他收益及虧損淨額：		
Net foreign exchange loss	外匯虧損淨額	82,952	126,957
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	16,879	4,768
Gains 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 property, plant and equipment (Note 16)	物業、廠房及設備減值虧損(附註16)	45,287	36,444
Impairment loss on goodwill (Note 19)	商譽減值虧損(附註19)	27,323	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 (Note 22)	外匯遠期合約(附註22)	(17,971)	(35,394)
Foreign currency option contracts (Note 22)	外匯期權合約(附註22)	(32,585)	872
Bills receivable (Note 25)	應收票據(附註25)	-	(1,427)
		(50,556)	(35,949)
Gains on derecognition of financial liabilities	取消確認金融負債的收益	(839)	(1,352)
		121,046	138,625



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8. PROFIT (LOSS) BEFORE FINANCE COSTS
AND TAX (continued)8. 除融資成本及稅項前溢利(虧損)
(續)

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Depreciation of property, plant and equipment (Note 16)	物業、廠房及設備折舊 (附註16)	516,954	535,685
Less: capitalised in biological assets	減：生物資產資本化金額	(208,171)	(220,651)
Depreciation charged to profit or loss	扣除自損益的折舊	308,783	315,034
Depreciation of right-of-use assets (Note 17)	使用權資產折舊(附註17)	16,266	-
Less: capitalised in biological assets	減：生物資產資本化金額	(5,703)	-
Depreciation charged to profit or loss	扣除自損益的折舊	10,563	-
Short-term lease expense	短期租賃開支	13,180	-
Less: capitalised in biological assets	減：生物資產資本化金額	(5,934)	-
Short-term lease expense charged to profit or loss	扣除自損益的短期租賃開支	7,246	-
Equity-settled share award expense (Note 37(b))	以股權結算的股份獎勵開支 (附註37(b))	25,553	8,646
Other employee benefits costs	其他僱員福利開支	490,961	435,722
Less: capitalised in biological assets	減：生物資產資本化金額	(122,538)	(112,143)
Employee benefits charged to profit or loss	扣除自損益的僱員福利	393,976	332,225
Auditors' remuneration	核數師薪酬	2,950	2,800
Release of land use rights	土地使用權解除	-	4,012

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9. FINANCE COSTS

9. 融資成本

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Interest expenses on:	利息開支：		
Bank borrowings	銀行借款	248,407	187,625
Medium-term notes	中期票據	6,620	41,485
Corporate bonds	公司債券	14,645	59,871
Other borrowings from Mengniu (Note 46(d))	來自蒙牛的其他借款 (附註46(d))	47,842	44,306
Other borrowings from financial institutions	來自金融機構的其他借款	2,337	-
Mengniu Bill (as defined in Note 25)	蒙牛票據(定義見附註25)	6,952	1,804
Lease liabilities	租賃負債	11,010	-
Total borrowing cost	借款成本總額	337,813	335,091
Fair value loss on interest rates swaps	利率掉期公平值虧損	38,982	3,531
		376,795	338,622



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10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

10. 預期信貸虧損模型下減值虧損，扣除撥回

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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) (as defined in Note 25)	- 應收貿易賬款 – 液態奶產品 (分銷商) (定義見附註25)	-	358,891
- Trade receivables – liquid milk product (other customers)	- 應收貿易賬款 – 液態奶產品 (其他客戶)	-	5,365
- Other receivables	- 其他應收款項	953	3,569
Impairment losses reversed on:	減值虧損於以下撥回：		
- Trade receivables – liquid milk product (the Distributors)	- 應收貿易賬款 – 液態奶產品 (分銷商)	(160,451)	-
- Trade receivables – liquid milk product (other customers)	- 應收貿易賬款 – 液態奶產品 (其他客戶)	(1,837)	(163)
		(161,335)	367,662

Details of impairment assessment are set out in Note 40.

減值評估詳情載列於附註40。

11. INCOME TAX EXPENSE

11. 所得稅開支

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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：		
PRC Enterprise Income Tax	中國企業所得稅	556	513

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11. INCOME TAX EXPENSE (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 (2018: 16 subsidiaries) of the Group are exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the year ended 31 December 2019.

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 RMB1,863,415,000 (31 December 2018: RMB1,372,185,000) 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(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，截至二零一九年十二月三十一日止年度，本集團的16間附屬公司(二零一八年：16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1,863,415,000元(二零一八年十二月三十一日：人民幣1,372,185,000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 (continued)

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

11. 所得稅開支(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溢利(虧損)的對賬：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Profit (loss) before tax	除稅前溢利(虧損)	350,413	(505,660)
Tax at applicable income tax rate at 25% (2018: 25%)	按適用所得稅稅率25%計算的稅項(二零一八年：25%)	87,603	(126,415)
Effect of tax exemption granted to agricultural entities	農業實體免稅待遇的影響	(150,311)	(90,023)
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	57,486	204,376
Effect of tax losses not recognised	未確認稅項虧損的影響	6,104	12,575
Utilisation of tax losses previously not recognised	動用過往未確認稅項虧損	(326)	-
Income tax expense	所得稅開支	556	513

As at 31 December 2019, the Group's PRC subsidiaries had unused tax losses of RMB179,043,000 (2018: RMB200,019,000) incurred by non-agricultural business in the PRC. These unused tax losses as at 31 December 2019 will expire in year 2020 to year 2024 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.

於二零一九年十二月三十一日，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179,043,000元(二零一八年：人民幣200,019,000元)。倘於二零一九年十二月三十一日該等未動用稅項虧損未獲動用，其將於二零二零年至二零二四年屆滿。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：

		2019 二零一九年				
		Salaries, allowances and benefits- in-kind	Equity- settled share award expense	Retirement benefits scheme contributions	Total	
		薪金、津貼及 實物福利	按股權結算 股份獎勵開支	退休福利 計劃供款	總計	
		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	
Executive directors	執行董事					
Ms. Gao Lina	高麗娜女士	-	3,902	2,947	-	6,849
Mr. Han Chunlin	韓春林先生	-	2,060	1,643	141	3,844
Non-executive directors	非執行董事					
Mr. Lu Minfang	盧敏放先生	-	-	-	-	-
Mr. Wolhardt Julian Juul	Wolhardt Julian Juul先生	-	-	-	-	-
Mr. Zhang Ping	張平先生	-	-	-	-	-
Mr. Zhao Jiejun (Note ii)	趙傑軍先生 (附註ii)	-	-	-	-	-
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	215	-	-	-	215
Mr. Li Shengli	李勝利先生	200	-	-	-	200
Mr. Kang Yan	康龔先生	200	-	-	-	200
		615	5,962	4,590	141	11,308



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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

12. 董事及主要行政人員酬金(續)

		2018 二零一八年				
		Salaries, allowances and benefits-in-kind	Equity-settled share award expense	Retirement benefits scheme contributions	Total	
		薪金、津貼及實物福利	按股權結算股份獎勵開支	退休福利計劃供款	總計	
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	
Executive directors	執行董事					
Ms. Gao Lina	高麗娜女士	-	2,467	1,318	3,785	
Mr. Han Chunlin	韓春林先生	-	1,635	65	2,351	
Non-executive directors	非執行董事					
Mr. Lu Minfang	盧敏放先生	-	-	-	-	
Mr. Wolhardt	Wolhardt Julian					
Julian Juul	Juul先生	-	-	-	-	
Mr. Zhang Ping	張平先生	-	-	-	-	
Mr. Wen Yongping	溫永平先生					
(Note ii)	(附註ii)	-	-	-	-	
Independent non-executive directors	獨立非執行董事					
Mr. Lee Kong Wai	李港衛先生					
Conway		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	6,740	

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12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

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 37.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

- No directors waived or agreed to waive any remuneration during the year ended 31 December 2019 (2018: nil).
- Mr. Wen Yongping, a non-executive director, resigned from his office with effect from 15 January 2019. Mr. Zhao Jiejun was appointed as a non-executive director with effect from 15 January 2019.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group during the year included two (2018: two) directors of the Company, details of whose remuneration are included in the disclosures in Note 12 above. Details of the remuneration of the remaining three (2018: three) highest paid individuals for the year are as follows:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Salaries, allowances and benefits-in-kind	薪金、津貼及實物福利	4,147	3,653
Retirement benefits scheme contributions	退休福利計劃供款	242	134
Equity-settled share award expense	按股權結算股份獎勵開支	4,197	1,301
		8,586	5,088

12. 董事及主要行政人員酬金(續)

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37。

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：

- 截至二零一九年十二月三十一日止年度，概無董事放棄或同意放棄任何薪酬(二零一八年：無)。
- 非執行董事溫永平先生自二零一九年一月十五日起辭任。趙傑軍先生自二零一九年一月十五日起獲委任為非執行董事。

13. 五名最高薪酬人士

本集團年內五名最高薪酬人士包括本公司兩名(二零一八年：兩名)董事，其薪酬詳情披露於上文附註12。年內其餘三名(二零一八年：三名)最高薪酬人士的薪酬詳情如下：

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13. FIVE HIGHEST PAID EMPLOYEES (continued)

No remuneration was paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2019 (2018: 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:

		2019 二零一九年	2018 二零一八年
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	1	2
HK\$3,500,001 to HK\$4,000,000	3,500,001港元至4,000,000港元	2	–
		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 37.

14. DIVIDEND

No dividend (2018: nil) was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period.

13. 五名最高薪酬人士 (續)

截至二零一九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薪酬，作為加盟本集團或加盟後的獎勵或作為離任補償(二零一八年：無)。

以港元(「港元」)計值的薪酬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37。

14. 股息

概無就二零一九年期間向本公司普通股股東支付或建議派付任何股息(二零一八年：無)，亦無自報告期末起建議派付任何股息。



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15. EARNINGS (LOSS) PER SHARE

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

15. 每股盈利(虧損)

本公司持有人應佔每股基本及攤薄盈利(虧損)乃根據以下數據計算：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Profit (loss)	溢利(虧損)		
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	用於計算每股基本及攤薄盈利(虧損)的溢利(虧損)	341,270	(496,088)
		2019 二零一九年 Shares 股	2018 二零一八年 Shares 股
Number of shares	股份數目		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	用於計算每股基本盈利的普通股加權平均數	6,165,192,978	6,083,399,210
Effect of dilutive potential ordinary shares:	攤薄潛在普通股的影响：		
Share options	購股權	11,637,831	-
Share awards	股份獎勵	4,765,434	-
		6,181,596,243	6,083,399,210

The number of shares adopted in the calculation of the basic earnings (loss) per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme. The calculation of diluted loss per share for the year ended 31 December 2018 has not taken into account the effect of the share options and share awards of the Company since the assumed exercise and vesting would result in decrease in loss per share.

計算每股基本盈利(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 2018	於二零一八年一月一日的結餘	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)
Eliminated 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
Additions	添置	-	689	81,113	113,443	195,245
Transfer	轉撥	53,250	-	54,215	(107,465)	-
Disposals	出售	(15,639)	(1,156)	(124,394)	-	(141,189)
Reclassified as held for sale (Note 27)	重新分類為持有出售(附註27)	(154,659)	-	(46,615)	-	(201,274)
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	5,039,817	20,576	1,730,700	17,506	6,808,599
Accumulated depreciation	累計折舊					
Balance at 1 January 2018	於二零一八年一月一日的結餘	(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)
Eliminated on disposals	出售撤銷	6,462	1,304	48,637	-	56,403
Eliminated 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)
Charge for the year	年內開支	(326,773)	(989)	(189,192)	-	(516,954)
Eliminated on disposals	出售撤銷	13,713	1,066	96,597	-	111,376
Reclassified as held for sale (Note 27)	重新分類為持有出售(附註27)	104,537	-	26,537	-	131,074
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	(2,111,197)	(8,085)	(1,050,034)	-	(3,169,316)
Impairment	減值					
Balance at 1 January 2018	於二零一八年一月一日的結餘	(100,017)	(82)	(5,447)	-	(105,546)
Impairment loss recognised in profit or loss	已於損益確認減值虧損	(11,499)	-	(24,945)	-	(36,444)
Eliminated on disposals	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)
Impairment loss recognised in profit or loss	已於損益確認減值虧損	(4,328)	-	(40,959)	-	(45,287)
Eliminated on disposal	出售撤銷	1,111	-	281	-	1,392
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	(113,459)	(63)	(70,693)	-	(184,215)
Carrying amounts	賬面值					
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	2,815,161	12,428	609,973	17,506	3,455,068
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

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16. PROPERTY, PLANT AND EQUIPMENT

(continued)

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

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

Impairment assessment

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 it in assessing the recoverable amounts of property, plant and equipment of Saibei. The recoverable amount of RMB24,278,000 in respect of the buildings was determined under market method. The Group recognised an impairment loss of RMB45,287,000 (2018: RMB36,444,000) in profit or loss for the property, plant and equipment of Saibei.

16. 物業、廠房及設備(續)

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%

減值評估

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。樓宇可收回金額人民幣24,278,000元乃按市場法釐定。本集團對塞北物業、廠房及設備於損益確認減值虧損人民幣45,287,000元(二零一八年：人民幣36,444,000元)。



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17. RIGHT-OF-USE ASSETS

17. 使用權資產

		Leasehold lands 租賃土地 RMB'000 人民幣千元	Leased properties 租賃物業 RMB'000 人民幣千元	Leased machinery and equipment 租賃機械 及設備 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Cost	成本				
Balance at 1 January 2019	於二零一九年 一月一日的結餘	288,640	–	43,932	332,572
Additions (Note i)	添置(附註i)	21,526	730	5,061	27,317
Balance at 31 December 2019	於二零一九年 十二月三十一日的 結餘	310,166	730	48,993	359,889
Accumulated depreciation	累計折舊				
Balance at 1 January 2019	於二零一九年 一月一日的結餘	(23,462)	–	–	(23,462)
Charge for the year	年內開支	(10,797)	(243)	(5,226)	(16,266)
Balance at 31 December 2019	於二零一九年 十二月三十一日的 結餘	(34,259)	(243)	(5,226)	(39,728)

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17. RIGHT-OF-USE ASSETS (continued)

17. 使用權資產(續)

		Leasehold lands	Leased properties	Leased machinery and equipment	Total
		租賃土地	租賃物業	租賃機械 及設備	總計
		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
Carrying amounts	賬面值				
Balance at 1 January 2019	於二零一九年 一月一日的結餘	265,178	—	43,932	309,110
Balance at 31 December 2019	於二零一九年 十二月三十一日的 結餘	275,907	487	43,767	320,161
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	有關短期租賃及租期於初步應用國際財務報告準則第16號日期起計12個月內結束的其他租賃的開支				13,180
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	有關低價值資產租賃(不包括低價值資產短期租賃)的開支				30
Variable lease payments not included in the measurement of lease liabilities	並無計入租賃負債計量的可變租賃付款				355
Total cash outflow for leases (Note ii)	租賃現金流出總額(附註ii)				31,665

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17. RIGHT-OF-USE ASSETS (continued)

Notes:

- i. Amount includes right-of-use assets resulting from new leases commenced in 2019.
- ii. Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases, low value assets and payments of lease payments on or before lease commencement date. These amounts are presented in operating, investing and financing cash flows.

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The Group leases lands, properties, machineries and equipments to operate its business. These leases are typically made for fixed terms of 2 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease liabilities are measured at the present value of the lease payments that are not yet paid. The incremental borrowing rates applied by the relevant group entities range from 5.13% to 5.20% per annum for lease liabilities as at 31 December 2019.

For some of the leased machineries, the Group is required to make fixed monthly payments and additional variable payments depending on the usage of the asset during the contract period.

The Group's lease agreements do not contain any contingent rent nor any extension, early termination option or purchase option for lessee.

The Group regularly entered into short-term leases for machineries, motor vehicles and office equipment. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 8.

17. 使用權資產(續)

附註：

- i. 金額包括因新租賃於二零一九年開始而產生的使用權資產。
- ii. 金額包括租賃負債的本金及利息部分付款、可變租賃付款、短期租賃、低價值資產及在租賃開始日期或之前支付的租賃付款。該等金額在經營、投資及融資現金流量中列示。

使用權資產按租期以直線法折舊。

本集團租賃土地、物業、機械及設備以經營其業務。該等租賃通常固定期限為2至50年。租賃條款乃按個別基準磋商，包含不同付款條款及條件。租賃負債按未支付的租賃付款現值計量。於二零一九年十二月三十一日，相關集團實體就租賃負債所應用增量借款利率介乎每年5.13%至5.20%。

對於部分租賃機械，本集團須作出每月固定付款及視乎合約期內使用資產情況作出額外可變付款。

本集團的租賃協議不包含任何或然租金或承租人的任何延長、提早終止權或購買權。

本集團定期就機械、汽車及辦公設備訂立短期租賃。於二零一九年十二月三十一日，短期租賃組合與短期租賃開支於附註8所披露的短期租賃組合相若。



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18. LAND USE RIGHTS

18. 土地使用權

		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	129,908
Eliminated on disposals of subsidiaries (Note 38)	出售附屬公司撇銷(附註38)	(4,674)
Released 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
Analysed for reporting purpose as:	呈報分析如下：	
– Current assets	– 流動資產	4,002
– Non-current assets	– 非流動資產	117,220
		121,222

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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19. GOODWILL

19. 商譽

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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	(137,297)	(111,347)
Impairment loss recognised in the year	年內已確認減值虧損	(27,323)	(25,950)
At 31 December	於十二月三十一日	(164,620)	(137,297)
Carrying values	賬面值		
At 31 December	於十二月三十一日	1,371,266	1,398,589

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 CGUs 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)歸入該等現金產生單位如下：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Modern Farming (Note i)	現代牧業(集團)(附註i)	310,426	310,426
ADH Companies (Note ii)	ADH公司(附註ii)	1,060,840	1,088,163
		1,371,266	1,398,589

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19. 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 purpose 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, being the group 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 a pre-tax discount rate of 12.3% (2018: 11.8%). Cash flows beyond the budgeted period are extrapolated using a 2.5% (2018: 2.5%) growth rate. Other key assumptions for the value in use calculation included the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and the estimated feed costs per kg of raw milk. 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 purpose of impairment testing, the 2015 Goodwill has been allocated to the ADH Companies, being the group 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 a pre-tax discount rate of 12.3% (2018: 11.8%). Cash flows beyond the budgeted period are extrapolated using a 2.5% (2018: 2.5%) growth rate. Other key assumptions for the value in use calculation included the estimated future market price of raw milk, the estimated average daily milk yield at each lactation cycle and estimated feed costs per kg of raw milk. Such assumptions are based on the unit's past performance and management's expectations for the market development.

Due to certain decline of the quantity of dairy cows, an impairment loss of RMB27,323,000 (2018: RMB25,950,000) was recognised in 2019, being the excess of the carrying amount of the ADH CGU over the recoverable amount of RMB2,514,830,000 determined based on the above value in use calculation.

19. 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(集團)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(集團)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(集團)現金產生單位的可收回金額按照使用價值計算釐定，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，稅前貼現率為12.3%(二零一八年：11.8%)。預算期限以外的現金流量使用2.5%(二零一八年：2.5%)的增長率推算。計算使用價值的其他主要假設包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。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(集團)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計算釐定，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，稅前貼現率為12.3%(二零一八年：11.8%)。預算期限以外的現金流量使用2.5%(二零一八年：2.5%)的增長率推算。計算使用價值的其他主要假設包括估計未來原料奶市價、各哺乳期的估計平均每日產奶量及每千克原料奶估計飼養成本。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。

由於乳牛數量有一定下降，故於二零一九年已確認一項為人民幣27,323,000元的減值虧損(二零一八年：人民幣25,950,000元)，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2,514,830,000元。



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20. INTERESTS IN ASSOCIATES

20. 於聯營公司的權益

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Cost of investments in associates	於聯營公司投資成本	156,040	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	59,352	24,873
		215,392	180,913

Details of the Group's interests 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
		31/12/2019 二零一九年 十二月三十一日 %	31/12/2018 二零一八年 十二月三十一日 %	31/12/2019 二零一九年 十二月三十一日 %	31/12/2018 二零一八年 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)	The PRC 中國	50	50	49	49	Liquid milk producing 生產液態奶
Modern Farming (Bengbu) Co., Ltd. ("Bengbu") (Note 38) 現代牧業(蚌埠)有限公司 (「蚌埠」)(附註38)	The PRC 中國	50	50	49	49	Liquid milk producing 生產液態奶

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20. INTERESTS IN ASSOCIATES (continued)

In March 2018, Modern Farming sold its 50% equity interest in Feidong and Bengbu, the then subsidiaries of the Company, to 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 accordingly 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, each of Modern Farming and Inner Mongolia Mengniu proportionally injected capital of RMB35,000,000 and RMB65,000,000 to Feidong and Bengbu, respectively. After that, the ownership percentage of Modern Farming and Inner Mongolia Mengniu in Bengbu and Feidong remained unchanged.

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.

20. 於聯營公司的權益(續)

於二零一八年三月，現代牧業(集團)出售本公司當時的附屬公司肥東及蚌埠50%的權益予內蒙古蒙牛。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)及內蒙古蒙牛各分別按比例於肥東及蚌埠注資人民幣35,000,000元及人民幣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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20. INTERESTS IN ASSOCIATES (continued)

Feidong

20. 於聯營公司的權益(續)

肥東

		31/12/2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	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	82,680	56,239
Non-current assets	非流動資產	161,360	178,127
Current liabilities	流動負債	68,875	84,943
Non-current liabilities	非流動負債	11,954	9,073
		Year ended 31/12/2019 截至 二零一九年 十二月三十一日 止年度 RMB'000 人民幣千元	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	286,457	100,524
Profit and total comprehensive income for the year/period	年/期內溢利及全面收入總額	22,861	16,735
Adjustments due to the difference between the carrying value and fair value of the Group's remaining interests in Feidong on the date of disposal	於出售日期本集團於肥東餘下權益的賬面值與公平值之間差額導致的調整	(2,018)	(711)
Profit and total comprehensive income for the year/period	年/期內溢利及全面收入總額	20,843	16,024

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20. INTERESTS 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:

		31/12/2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	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	163,211	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%	50%
The Group's share of net assets of Feidong	本集團分佔肥東淨資產	81,606	70,175
Goodwill	商譽	251	251
Fair value adjustments	公平值調整	1,377	2,386
		83,234	72,812

20. 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：

Bengbu	蚌埠	31/12/2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	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	265,424	163,661
Non-current assets	非流動資產	167,302	247,868
Current liabilities	流動負債	164,304	189,574
Non-current liabilities	非流動負債	13,488	16,160



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20. INTERESTS IN ASSOCIATES (continued)

Bengbu (continued)

20. 於聯營公司的權益(續)

蚌埠(續)

		Year ended 31/12/2019 截至 二零一九年 十二月三十一日 止年度 RMB'000 人民幣千元	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	748,188	355,926
Profit and total comprehensive income for the year/period	年/期內溢利及全面收入總額	49,139	35,523
Adjustments due to the difference between the carrying value and fair value of the Group's remaining interests in Bengbu on the date of disposal	於出售日期本集團於蚌埠餘下權益的賬面值與公平值之間差額導致的調整	(1,024)	(1,801)
Profit and total comprehensive income for the year/period	年/期內溢利及全面收入總額	48,115	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：

		31/12/2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	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	254,934	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%	50%
The Group's share of net asset of Bengbu	本集團分佔蚌埠淨資產	127,467	102,898
Goodwill	商譽	33	33
Fair value adjustments	公平值調整	4,658	5,170
		132,158	108,101

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21. EQUITY INSTRUMENTS AT FVTOCI

21. 按公平值計入其他全面收入的權益工具

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Unquoted equity investments	未報價權益投資	3,959	2,508

The above unlisted equity investments represent the Group's equity interest in private entities 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 for 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。由於董事相信該等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。

22. DERIVATIVE FINANCIAL INSTRUMENTS

22. 衍生金融工具

		Current assets 流動資產		Current liabilities 流動負債	
		31 December 2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	31 December 2018 二零一八年 十二月三十一日 RMB'000 人民幣千元	31 December 2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	31 December 2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
Interest rate swaps (Note i)	利率掉期(附註i)	4,325	40,774	(15,134)	(12,601)
Foreign currency forward contracts (Note ii)	外匯遠期合約 (附註ii)	53,505	39,025	(140)	(3,631)
Foreign currency option contracts (Note ii)	外匯期權合約 (附註ii)	31,713	625	-	(1,497)
		89,543	80,424	(15,274)	(17,729)



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22. DERIVATIVE FINANCIAL INSTRUMENTS

22. 衍生金融工具(續)

(continued)

Notes:

附註：

i. Major terms of the interest rate swaps are as follows:

i. 利率掉期主要條款如下：

Nominal amount 名義金額	Swaps 掉期
United States Dollars ("US\$") 300,000,000 300,000,000美元(「美元」) HK\$1,500,000,000 1,500,000,000港元	From LIBOR* to 1.53%-1.54% 自倫敦銀行同業拆息至1.53%至1.54% From HIBOR* to 2.59%-2.62% 自香港銀行同業拆息至2.59%至2.62%

* London Interbank Offered Rate ("LIBOR")
* 倫敦銀行同業拆息(「倫敦銀行同業拆息」)
Hong Kong Interbank Offered Rate ("HIBOR")
香港銀行同業拆息(「香港銀行同業拆息」)

The Group entered into several interest rate swap contracts with certain banks to hedge the risk of interest rate fluctuation arising from certain bank loans at floating interest rate. The fair value changes of the swaps were recognised as a deduction of finance costs.

本集團與若干銀行訂立若干利率掉期合約，以對沖若干按浮動利率的銀行貸款產生的利率波動風險。掉期的公平值變動確認為扣除融資成本。

ii. Major items of the foreign currency forward contracts and the foreign currency option contracts are as follows:

ii. 外匯遠期合約及外匯期權合約主要項目如下：

Nominal amount 名義金額	Forward exchange rates 遠期匯率
US\$187,700,000 187,700,000美元	RMB6.4800 to RMB7.0000: US\$1 人民幣6.4800元至人民幣7.0000元兌1美元
Euro ("EUR") 20,000,000 20,000,000歐元(「歐元」)	RMB7.6858 to RMB7.8480: EUR1 人民幣7.6858元至人民幣7.8480元兌1歐元
US\$4,000,000 4,000,000美元	HK\$7.8453: US\$1 7.8453港元兌1美元
HK\$1,230,390,000 1,230,390,000港元	US\$0.1274 to US\$0.1280: HK\$1 0.1274美元至0.1280美元兌1港元



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22. DERIVATIVE FINANCIAL INSTRUMENTS

(continued)

Notes: (continued)

- ii. Major items of the foreign currency forward contracts and the foreign currency option contracts are as follows: (continued)

Nominal amount 名義金額	Type 類型	Position 好倉／淡倉	Prices 價格
US\$217,000,000* 217,000,000美元*	Call 認購	Long 好倉	RMB6.7000 to RMB6.8900: US\$1 人民幣6.7000元至人民幣6.8900元兌1美元
	Put 認沽	Short 淡倉	RMB6.7000 to RMB6.8900: US\$1 人民幣6.7000元至人民幣6.8900元兌1美元
	Call 認購	Short 淡倉	RMB7.1000 to RMB7.3000: US\$1 人民幣7.1000元至人民幣7.3000元兌1美元
US\$26,300,000* 26,300,000美元*	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
US\$26,000,000 26,000,000美元	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.

The Group entered into several foreign currency forward contracts and foreign currency option contracts with certain banks to hedge the currency risk arising from certain of its bank loans denominated in US\$, HK\$ and EUR. The fair value changes of the foreign currency forward contracts and the foreign currency option contracts were recognised in other gains and losses.

- iii. The valuation techniques used in determination of fair values of the interest rate swaps, foreign currency forwards and foreign currency options are disclosed in Note 42.

22. 衍生金融工具(續)

附註：(續)

- ii. 外匯遠期合約及外匯期權合約主要項目如下：(續)

* 該等為貨幣認購及認沽期權組合。

本集團與若干銀行訂立若干外匯遠期合約及外匯期權合約，以對沖若干以美元、港元及歐元計值的銀行貸款產生的貨幣風險。外匯遠期合約及外匯期權合約的公平值變動於其他收益及虧損中確認。

- iii. 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. 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.

		2019 二零一九年 heads 頭	2018 二零一八年 heads 頭
Milkable cows	奶牛	135,185	134,315
Heifers and calves	小母牛及小牛	98,433	97,215
Total dairy cows	乳牛總計	233,618	231,530

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 months' 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.

23. 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，乃按轉撥日期的估計公平值轉撥至奶牛類別。



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23. BIOLOGICAL ASSETS (continued)

A – Nature of activities (continued)

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

- i. **Regulatory and environmental risks**
The Group is subject to laws and regulations in the location in which it operates plantation and breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.
- ii. **Climate, disease and other natural risks**
The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

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

23. 生物資產(續)

A – 業務性質(續)

本集團面臨與其生物資產有關的多種風險。本集團面臨以下運營風險：

- i. **法規及環境風險**
本集團須遵守其開展農場種植及育種活動所在地的法律及法規。本集團已制定旨在遵守當地環境及其他法律的環境政策及程序。管理層進行定期檢查以識別環境風險及確保現有系統足以管理該等風險。
- ii. **氣候、疾病及其他自然風險**
本集團的生物資產面臨遭受氣候變化、疾病及其他自然因素損害的風險。本集團已擴展監察及減輕該等風險的程序，包括定期檢查及疾病控制與調查及保險。

B – 本集團生物資產的農業生產的數量

		2019 二零一九年 kg 千克	2018 二零一八年 kg 千克
Volume of milk sold	奶銷量	1,365,739,000	1,251,332,000

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23. BIOLOGICAL ASSETS (continued)

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:

23. 生物資產(續)

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：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	
Milkable cows	奶牛	5,543,159	5,636,013	
Heifers and calves	小母牛及小牛	1,916,200	2,081,100	
Total dairy cows	乳牛總計	7,459,359	7,717,113	
		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 2018	於二零一八年一月一日的結餘	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	出售導致減少	(90,739)	(473,676)	(564,415)
Gain (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
Feeding cost and other related costs	飼養成本及其他相關成本	1,388,057	-	1,388,057
Transfer	轉撥	(1,665,379)	1,665,379	-
Decrease due to disposal	出售導致減少	(93,387)	(513,203)	(606,590)
Gain (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收益(虧損)	205,809	(1,245,030)	(1,039,221)
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	1,916,200	5,543,159	7,459,359

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23. BIOLOGICAL ASSETS (continued)

C – Value of dairy cows (continued)

The Group has engaged Jones Lang LaSalle Corporate Appraisal And Advisory Limited, an independent firm of professional valuer, 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.

As at 31 December 2019, the Group's dairy cows in the amount of RMB838,666,000 (2018: RMB875,471,000) have been pledged to banks to secure certain bank borrowings granted to the Group (Note 29).

The aggregate gain or loss arising on initial recognition of raw milk and from the changes in fair value less costs to sell of dairy cows is analysed as follows:

23. 生物資產(續)

C – 乳牛的價值(續)

本集團已委聘仲量聯行企業評估及諮詢有限公司(獨立專業估值公司)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。

於二零一九年十二月三十一日，本集團人民幣838,666,000元(二零一八年：人民幣875,471,000元)的奶牛已抵押予銀行，作為授予本集團的若干銀行借款的擔保(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：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	於收穫時按公平值減銷售成本初始確認原料奶產生的收益	1,938,360	1,371,468
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	(1,039,221)	(870,099)
		899,139	501,369

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24. INVENTORIES

24. 存貨

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Feeds	飼料	1,032,634	929,260
Others	其他	45,857	49,248
		1,078,491	978,508

25. TRADE AND OTHER RECEIVABLES AND
ADVANCE PAYMENTS

25. 應收貿易賬款及其他應收款項以及預付款項

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Trade receivables (Note i)	應收貿易賬款(附註i)	550,205	1,555,495
Less: allowance for credit losses (Note i)	減：信貸虧損撥備(附註i)	(8,635)	(857,739)
Bills receivable (Note ii)	應付票據(附註ii)	-	-
		541,570	697,756
Advance payments for feeds and materials	飼料及材料墊款	64,819	74,876
Input value added tax recoverable	可收回進項增值稅	2,591	2,032
Receivables from disposal of property, plant and equipment	出售物業、廠房及設備的應收 款項	4,015	1,681
Advance lease payments	租賃付款墊款	-	193
Others	其他	5,293	4,635
		618,288	781,173



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25. TRADE AND OTHER RECEIVABLES AND ADVANCE PAYMENTS (continued)

Notes:

- i 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 in order 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 changes in distribution channel, the Distributors were engaged by Mengniu Group as its secondary distributors for distribution of the 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 receivables due from the Distributors may not be fully recovered. After taking into account the present value of expected future collection and the security of 318,697,354 ordinary shares of the Company (the “Collaterals”) provided by five third-party companies incorporated in the British Virgin Islands (the “Pledgers”) who used to be non-controlling equity holders of Modern Farming (Anhui) Dairy Product Sales Co., Ltd. (“Modern Farming Anhui”) and were responsible for selecting distributors, an accumulated impairment loss of RMB847,069,000 had been recognised in respect of the Group’s trade receivables due from the Distributors as at 31 December 2018.

On 18 July 2019, the Company entered into a subscription agreement (the “Subscription Agreement”) with New Hope Dairy Co., Ltd. (“New Hope”), pursuant to which the Company has conditionally agreed to allot and issue, and New Hope or its designated subsidiary has conditionally agreed to subscribe, for 276,228,409 shares of the Company (the “Subscription Shares”) at a price of RMB1.1920 per share (total consideration of RMB329,264,000). Included in the Subscription Agreement, one of the condition precedent was to sign a tripartite agreement between New Hope, the Company and the Pledgers (the “Tripartite Agreement”), pursuant to which New Hope or its designated subsidiary would agree to purchase the Collaterals at a price of RMB1.1920 per share (total consideration of RMB379,887,000). On 6 August 2019, the Tripartite Agreement has been entered into among New Hope, the Company and the Pledgers.

25. 應收貿易賬款及其他應收款項以 及預付款項(續)

附註：

- i 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其次級分銷商，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結欠的應收貿易賬款或不能全數收回。經計及預期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五間於英國處女群島註冊成立的第三方公司（「質押人」）持有318,697,354股本公司普通股的抵押（「抵押品」），已就該等分銷商於二零一八年十二月三十一日結欠本集團的應收貿易賬款確認累計減值虧損人民幣847,069,000元。

於二零一九年七月十八日，本公司與新希望乳業股份有限公司（「新希望」）訂立認購協議（「認購協議」），據此，本公司有條件同意配發及發行，而新希望或其指定附屬公司有條件同意認購276,228,409股本公司股份（「認購股份」），每股人民幣1.1920元（總代價為人民幣329,264,000元）。該認購協議中，其中一項先決條件為新希望、本公司及質押人簽訂第三方協議（「第三方協議」），據此，新希望或其指定附屬公司將同意購以每股人民幣1.1920元購買抵押品（總代價為人民幣379,887,000元）。於二零一九年八月六日，新希望、本公司及質押人訂立第三方協議。



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25. TRADE AND OTHER RECEIVABLES AND ADVANCE PAYMENTS (continued)

Notes: (continued)

i (continued)

The total cash consideration of RMB329,264,000 for the Subscription Shares and total cash consideration of RMB379,887,000 for the Collaterals were settled on 17 September 2019. Impairment allowance for the Distributors in the amount of RMB160,451,000 was reversed in 2019, being the excess of the above cash consideration of RMB378,261,000, net of costs of selling Collaterals of RMB1,626,000, over the carrying amount of trade receivables from the Distributors of RMB217,810,000 as at 31 December 2018 as disclosed below.

On 20 September 2019, all the conditions precedent for the Subscription Agreement had been fulfilled or waived and the issue of the Subscription Shares to the subsidiary of New Hope has been completed. The total cash consideration of RMB329,264,000 for the Subscription Shares was recorded in share capital and share premium as disclosed in Note 36.

Due to the above transactions, New Hope and its subsidiary together acquired a total of 9.28% equity interests in the Company.

The movements of the gross amount of trade receivables from the Distributors and relevant impairment allowance are set out below.

25. 應收貿易賬款及其他應收款項以 及預付款項(續)

附註：(續)

i (續)

認購股份總代價人民幣329,264,000元及抵押品總代價人民幣379,887,000元已於二零一九年九月十七日結清。分銷商減值撥備人民幣160,451,000元於二零一九年撥回，高於上述現金代價人民幣378,261,000元(扣除出售抵押品成本人民幣1,626,000元)，超出於二零一八年十二月三十一日的分銷商應收貿易賬款賬面值人民幣217,810,000元(披露於下文)。

於二零一九年九月二十日，認購協議的所有先決條件已經達成或獲豁免，而發行認購股份予新希望附屬公司亦已完成。認購股份的總現金代價人民幣329,264,000元已記錄於股本及股份溢價(披露於附註36)。

由於上述交易，新希望及其附屬公司一同收購本公司共9.28%股權。

分銷商應收貿易賬款總額及相關減值撥備變動載列如下。



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25. TRADE AND OTHER RECEIVABLES AND
ADVANCE PAYMENTS (continued)

Notes: (continued)

i (continued)

		Gross amount 總額 RMB'000 人民幣千元	Impairment allowance 減值撥備 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
Impairment losses reversed	已撥回減值虧損	-	160,451	160,451
Amounts received	已收取款項	(378,261)	-	(378,261)
Amounts written off as uncollectible	撇銷為無法收回的金額	(686,618)	686,618	-
At 31 December 2019	於二零一九年 十二月三十一日	-	-	-

- ii In October 2018, Inner Mongolia Mengniu issued an one year commercial bill of RMB150,000,000 (the "Mengniu Bill") to Modern Farming, a subsidiary of the Company. 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 has recognised a fair value gain of RMB1,427,000 during the year ended 31 December 2018.

Advance lease payment were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in Note 3.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB897,880,000.

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk. The Group allows a credit period of 30 days to its customers.

25. 應收貿易賬款及其他應收款項以
及預付款項(續)

附註：(續)

i (續)

- ii 於二零一八年十月，內蒙古蒙牛向本公司附屬公司現代牧業(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，以結算應收貿易賬款，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)於截至二零一八年十二月三十一日止年度終止確認蒙牛票據並確認公平值收益人民幣1,427,000元。

租賃付款墊款於首次應用國際財務報告準則16號後予以調整。調整詳情載於附註3。

於二零一八年一月一日，來自客戶合約的應收貿易賬款為人民幣897,880,000元。

報告期末的應收貿易賬款主要指銷售原料奶的應收款項。本集團給予其客戶30天的信貸期。



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25. TRADE AND OTHER RECEIVABLES AND
ADVANCE PAYMENTS (continued)

The following is the aged analysis of trade receivables, net of allowance for credit losses, 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:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Trade receivables	應收貿易賬款		
– within 30 days	– 30天以內	541,570	473,449
– beyond 30 days but within 60 days	– 30天以上但60天以內	–	5,996
– beyond 1 year but within 2 years	– 1年以上但2年以內	–	75,132
– beyond 2 years but within 3 years	– 2年以上但3年以內	–	143,179
		541,570	697,756

Details of impairment assessment of trade and other receivables are set out in Note 40.

25. 應收貿易賬款及其他應收款項以及預付款項(續)

於報告期末按發票日(與報告期末有關收益確認日期相若)呈列的應收貿易賬款(扣除信貸虧損撥備)的賬齡分析如下:

應收貿易賬款及其他應收款項減值評估詳情載列於附註40。

26. PLEDGED BANK BALANCES AND NON-
PLEDGED BANK DEPOSITS AND BANK
BALANCES AND CASH

Pledged bank balances and non-pledged bank deposits

26. 已質押銀行結餘、未質押銀行存款以及銀行結餘及現金

已質押銀行結餘及未質押銀行存款

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Pledged bank balances	已質押銀行結餘	80,122	61,355
Non-pledged bank deposits with original maturity over three months	原到期日超過三個月的未質押銀行存款	67,653	–
		147,775	61,355



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26. PLEDGED BANK BALANCES AND NON- PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

Pledged bank balances and non-pledged bank deposits (continued)

The pledged bank balances represent deposits pledged for letter of credit and bills payable. The pledged bank balances carry interest at prevailing market rates ranging from 0.30% to 1.95% (2018: 0.35% to 1.30%) per annum at 31 December 2019.

Non-pledged bank deposits with original maturity over three months were held with banks and carry interest at prevailing market rate of 1.7% to 1.79% per annum at 31 December 2019.

Bank balances and cash

Bank balances and cash 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 rate of 0.30% to 2.64% (2018: 0.30% to 1.61%) per annum at 31 December 2019.

Pledged bank balances, non-pledged bank deposits and bank balances and cash at 31 December 2018 and 2019 are denominated in US\$, 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.

26. 已質押銀行結餘、未質押銀行存款 以及銀行結餘及現金 (續)

已質押銀行結餘及未質押銀行存款 (續)

已質押銀行結餘指用以擔保信用證及應付票據的存款。於二零一九年十二月三十一日，已質押銀行結餘按每年介乎0.30%至1.95% (二零一八年：0.35%至1.30%)的現行市場利率計息。

於二零一九年十二月三十一日，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1.7%至1.79%的現行市場利率計息。

銀行結餘及現金

於二零一九年十二月三十一日，銀行結餘及現金包括現金及存入銀行按現行市場利率每年0.30%至2.64% (二零一八年：0.30%至1.61%)計息的原到期日為三個月或以內的短期存款。

於二零一八年及二零一九年十二月三十一日的已質押銀行結餘、未質押銀行存款以及銀行結餘及現金乃以美元、歐元、港元及人民幣計值。人民幣在國際市場上不能自由兌換。人民幣的匯率乃由中國政府釐定，而將該等資金從中國匯出須受中國政府實施的匯兌管制所規限。



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26. PLEDGED BANK BALANCES AND NON-
PLEDGED BANK DEPOSITS AND BANK
BALANCES AND CASH (continued)

Bank balances and cash (continued)

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

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
US\$ – bank balances	美元 – 銀行結餘	13,451	99,466
EUR – bank balances	歐元 – 銀行結餘	909	458
HK\$ – bank balances	港元 – 銀行結餘	16,221	2,912
US\$ – non-pledged bank deposits with original maturity over three months	美元 – 原到期日超過三個月的 未質押銀行存款	45,442	–
HK\$ – non-pledged bank deposits with original maturity over three months	港元 – 原到期日超過三個月的 未質押銀行存款	22,211	–

26. 已質押銀行結餘、未質押銀行存
款以及銀行結餘及現金 (續)

銀行結餘及現金 (續)

銀行結餘及現金 (續)

以有關實體的功能貨幣以外的貨幣計值的若干已質押銀行結餘、未質押銀行存款以及銀行結餘載列如下：

27. A DISPOSAL GROUP CLASSIFIED AS HELD
FOR SALE

On 23 August 2019, Modern Farming and Jiangsu Agriculture Environment Energy Technology Co., Ltd., an entity designated by CITIC Environment Investment Group Co., Ltd., entered into an agreement in relation to the formation of Jiangyin Dairy Energy Environment Technology Co., Ltd. (“**Jiangyin Dairy Energy**”), pursuant to which Modern Farming holds 30% equity interest of Jiangyin Dairy Energy.

27. 分類為持作出售的出售組別

於二零一九年八月二十三日，現代牧業(集團)與中信環境投資集團有限公司指定的實體江蘇農環能源科技有限公司就成立江陰牧能環境科技有限公司(「**江陰牧能**」)訂立協議，據此，現代牧業(集團)持有江陰牧能30%股權。



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27. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

On 31 December 2019, Modern Farming entered into two share transfer agreements with Jiangyin Dairy Energy, pursuant to which Modern Farming agrees to sell, and the Jiangyin Dairy Energy conditionally agrees to acquire, the entire equity interests in Modern Energy (Wuhe) Co., Ltd. (“**Wuhe Energy**”) and Modern Energy (Hefei) Co., Ltd. (“**Hefei Energy**”), the then wholly-owned subsidiaries of Modern Farming, which were spun off in July 2019 as disclosed in Note 47 (iii). The assets and liabilities attributable to Wuhe Energy and Hefei Energy, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The net proceeds from disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised. The transactions (the “**Disposal Transactions**”) were completed in February 2020.

The major classes of assets and liabilities classified as held for sale are as follows:

27. 分類為持作出售的出售組別(續)

於二零一九年十二月三十一日，現代牧業(集團)與江陰牧能訂立兩份股權轉讓協議，據此，現代牧業(集團)同意出售，而江陰牧能有條件同意收購現代牧業(集團)於五河能源自現代牧業(五河)有限公司(「**五河能源**」)及現代能源(合肥)有限公司(「**合肥能源**」)的全部股權(均為現代牧業(集團)當時的附屬公司，其於二零一九年七月分拆(披露於附註47(iii))。五河能源及合肥能源應佔資產及負債(預期於十二個月內售出)獲分類為持作出售的出售組別並於綜合財務狀況表內分開呈列。出售所得款項淨額預期超過相關資產及負債的賬面淨值，因此並無確認減值虧損。該交易(「**出售交易**」)已於二零二零年二月完成。

分類為持作出售的資產及負債主要類別如下：

		Wuhe Energy 五河能源 RMB'000 人民幣千元	Hefei Energy 合肥能源 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	49,723	20,477	70,200
Inventories	存貨	21	74	95
Trade and other receivables	應收貿易賬款及 其他應收款項	324	68	392
Bank balances and cash	銀行結餘及現金	365	398	763
		50,433	21,017	71,450
Trade and other payables	應付貿易賬款及 其他應付款項	(1,007)	(1,189)	(2,196)

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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：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Trade payables	應付貿易賬款		
– within 60 days	– 60天以內	905,457	1,177,301
– beyond 60 days but within 120 days	– 超過60天但於120天以內	213,925	230,043
– beyond 120 days but within 360 days	– 超過120天但於360天以內	18,536	27,912
– beyond 360 days but within 720 days	– 超過360天但於720天以內	16,747	19,117
Bills payable (Note)	應付票據(附註)	2,841	550
		1,157,506	1,454,923
Payable for acquisition of property, plant and equipment	購買物業、廠房及設備應付款項	140,350	224,437
Accrued staff costs	應計員工成本	113,503	84,582
Advance payments from disposal of dairy cows and others	就出售乳牛及其他的預收款項	27,067	56,869
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	83,262	90,504
		1,521,688	2,072,363

Note: Bills payable are mature within twelve months from the respective issuance dates.

附註：應付票據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

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Bank borrowings:	銀行借款：		
Unsecured	無抵押	5,320,114	3,972,022
Secured (Note)	有抵押(附註)	218,360	465,480
		5,538,474	4,437,502
Carrying amount repayable:	應償還賬面值：		
Within one year	一年以內	3,822,643	1,691,109
Between one to two years	一年至兩年內	1,525,831	2,316,393
Between two to five years	兩年至五年內	190,000	430,000
		5,538,474	4,437,502
Less: Amounts due within one year shown under current liabilities	減：於流動負債項下列示一年內 到期款項	3,822,643	1,691,109
		1,715,831	2,746,393

Note: Certain bank borrowings as at 31 December 2019 and 2018 were secured by biological assets owned by the Group as set out in Note 23.

附註：於二零一九年及二零一八年十二月三十一日的若干銀行借款由本集團擁有的生物資產(載於附註23)作抵押。

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29. BANK BORROWINGS (continued)

The bank borrowings comprise:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Fixed-rate borrowings	定息借款	1,449,411	1,218,401
Variable-rate borrowings	浮息借款	4,089,063	3,219,101
		5,538,474	4,437,502

In September 2017, the Company entered into a bank loan arrangement with several banks, and under such arrangement the Group was allowed to borrow US\$300,000,000 loan from the banks at floating interest rate determined as 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 year ended 31 December 2018, and the effective interest rate was 4.18% per annum.

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 from the banks at floating interest rate determined as HIBOR + 1.7% per annum and the upfront fee amounted to HK\$27,000,000 (equivalent to RMB24,187,000). The Group withdrew HK\$1,500,000,000 (equivalent to RMB1,284,780,000) and partially repaid HK\$270,000,000 (equivalent to RMB243,000,000) in 2019, and the effective interest rate is 5.17% per annum.

29. 銀行借款(續)

銀行借款包括：

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，每年按倫敦銀行同業拆息+1.9%的浮動利率及為數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)，並於截至二零一八年十二月三十一日止年度提取130,000,000美元(相當於人民幣824,668,000元)，實際年利率為4.18%。

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，每年按香港銀行同業拆息+1.7%的浮動利率及為數27,000,000港元(相當於人民幣24,187,000元)的前期付款計息。本集團於二零一九年提取1,500,000,000港元(相當於人民幣1,284,780,000元)及部分償還270,000,000港元(相當於人民幣243,000,000元)，實際年利率為5.17%。



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29. BANK BORROWINGS (continued)

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:

		2019 二零一九年	2018 二零一八年
Fixed-rate borrowings	定息借款	3.20%-5.00%	0.45%-5.00%
Variable-rate borrowings	浮息借款	4.28%-5.17%	2.65%-4.80%

Interest rate of variable-rate borrowings are determined based on the borrowing rates announced by the People's Bank of China, the LIBOR and the HIBOR.

As at 31 December 2019, bank borrowings denominated in RMB, US\$, HK\$ and EUR amounted to approximately RMB2,359,507,000 (2018: RMB2,161,137,000), RMB2,083,136,000 (2018: RMB2,118,837,000), RMB1,095,831,000 (2018: nil) and nil (2018: RMB157,528,000), respectively.

29. 銀行借款(續)

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、倫敦銀行同業拆息及香港銀行同業拆息釐定。

於二零一九年十二月三十一日，以人民幣、美元、港元及歐元計值的銀行借款分別約為人民幣2,359,507,000元(二零一八年：人民幣2,161,137,000元)、人民幣2,083,136,000元(二零一八年：人民幣2,118,837,000元)、人民幣1,095,831,000元(二零一八年：零)及零(二零一八年：人民幣157,528,000元)。

30. MEDIUM-TERM NOTES

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Medium-term notes	中期票據	-	621,880

On 23 March 2016, Modern Farming issued medium-term notes with an aggregate principal amount of RMB600,000,000 which would 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. The medium-term notes were repaid on 23 March 2019.

30. 中期票據

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%。中期票據已於二零一九年三月二十三日支付。

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31. CORPORATE BONDS

31. 公司債券

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Corporate bonds	公司債券	-	1,087,568

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 would 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.

On 28 March 2017, Modern Farming issued the second tranche of corporate bonds of an aggregate principal amount of RMB800,000,000 which would 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.

The 2016 Corporate Bond and 2017 Corporate Bond were early repaid on 25 March 2019.

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%。

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%。

二零一六年公司債券及二零一七年公司債券已於二零一九年三月二十五日提前償還。



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32. OTHER BORROWINGS

32. 其他借款

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Carrying amounts payable:	應償賬面金額：		
Within one year	一年內		
– Mengniu Entrusted Loan (Note 46(d))	– 蒙牛委託貸款(附註46(d))	1,001,330	1,001,111
– Borrowing from a financial institution (Note)	– 金融機構借款(附註)	50,083	–
		1,051,413	1,001,111
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	1,051,413	1,001,111
Amounts due after one year	一年後到期款項	–	–

Note: On 26 February 2019, the Group entered into a loan agreement with a financial institution, pursuant to which the Group borrowed RMB50,000,000 from the financial institution which will mature on 28 February 2020. The loan is unsecured and bears a fixed interest rate of 5.00% per annum. The borrowing was repaid upon expiry subsequent to the balance sheet date.

附註：於二零一九年二月二十六日，本集團與一間金融機構訂立一份貸款協議，據此，本集團向該金融機構借入人民幣50,000,000元，將於二零二零年二月二十八日到期。貸款為無抵押且每年固定利率為5.00%。借款在資產負債表日期後到期時償還。

33. LEASE LIABILITIES

33. 租賃負債

		2019 二零一九年 RMB'000 人民幣千元
Lease liabilities payable:	應付租賃負債：	
Within one year	一年內	23,238
Within a period of more than one year but not more than two years	一年以上但不超過兩年的期間內	9,676
Within a period of more than two years but not more than five years	兩年以上但不超過五年的期間內	31,458
Within a period of more than five years	超過五年的期間內	164,975
		229,347
Less: Amount due for settlement within 12 months shown under current liabilities	減：於流動負債項下列示12個月內結算款項	(23,238)
Amount due for settlement after 12 months shown under non-current liabilities	於非流動負債項下列示12個月後結算款項	206,109



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34. CONTRACT LIABILITIES

34. 合約負債

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Sales of raw milk	銷售原料奶	189	232

As at 1 January 2018, contract liabilities amounted to RMB348,000.

於二零一八年一月一日，合約負債為人民幣348,000元。

35. DEFERRED INCOME

35. 遞延收入

		Arising from government grants 產自政府補貼 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	184,487
Addition	添置	11,899
Decrease due to disposal of subsidiaries (Note 38)	出售附屬公司導致減少(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
Addition	添置	24,019
Released to income	撥至收入	(19,030)
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	157,678

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內按直線法計入損益。



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36. SHARE CAPITAL AND SHARE PREMIUM
AND RESERVES

Share capital

36. 股本以及股份溢價及儲備

股本

		Number of shares 股份數目 '000 千股	Share capital 股本 HK\$'000 千港元
Ordinary shares of HK\$0.1 each Authorised At 1 January 2018, 31 December 2018 and 2019	每股0.1港元的普通股 法定於 於二零一八年一月一日、 二零一八年及二零一九年 十二月三十一日	10,000,000	1,000,000
Issued and fully paid At 1 January 2018 and 31 December 2018	已發行及繳足 於二零一八年一月一日及 二零一八年十二月三十一日	6,131,407	613,141
Issue of ordinary shares (Note)	發行普通股(附註)	276,228	27,623
At 31 December 2019	於二零一九年十二月三十一日	6,407,635	640,764
		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Presented as	呈列為	551,007	526,058



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36. SHARE CAPITAL AND SHARE PREMIUM
AND RESERVES (continued)

Share premium

36. 股本以及股份溢價及儲備(續)

股份溢價

		Share premium 股份溢價 RMB'000 人民幣千元
Balance at 1 January 2018 and 31 December 2018	於二零一八年一月一日及 二零一八年十二月三十一日的結餘	4,641,066
Issue of ordinary shares (Note)	發行普通股(附註)	304,315
At 31 December 2019	於二零一九年十二月三十一日	4,945,381

Note: As disclosed in Note 25, on 20 September 2019, pursuant to the Subscription Agreement, a subsidiary of New Hope subscribed for the Subscription Shares of HK\$0.1 each of the Company at a price of RMB1.1920 per ordinary share. An amount of RMB304,315,000, being the excess of the cash consideration of RMB329,264,000 over the par value of the ordinary shares of HK\$27,623,000 (equivalent to approximately RMB24,949,000), was credited to share premium. The proceeds were intended to be used for the business operations and repayment of borrowings of the Group. These new shares rank pari passu with other shares in issue in all respects.

附註：誠如附註25所披露，於二零一九年九月二十日，根據認購協議，新希望的附屬公司以每股普通股人民幣1.1920元認購本公司每股0.1港元的認購股份。已收新現金代價人民幣329,264,000元超出普通股面值27,623,000港元(相等於約人民幣24,949,000元)的差額人民幣304,315,000元計入股份溢價。所得款項擬用於本集團的業務營運及償還借款。該等新股份於所有方面與其他股份享有同等地位。



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36. SHARE CAPITAL AND SHARE PREMIUM
AND RESERVES (continued)

Other reserve

36. 股本以及股份溢價及儲備(續)

其他儲備

		Other reserve 其他儲備 RMB'000 人民幣千元
Balance at 1 January 2018 and 31 December 2018	於二零一八年一月一日及 二零一八年十二月三十一日的結餘	979,953
Equity transactions related to interest free loans (Note)	有關免息貸款的權益交易(附註)	(9,124)
At 31 December 2019	於二零一九年十二月三十一日	970,829

Note: The movement in other reserve for this year represented the portion of the difference between nominal value and amortised cost of interest-free loans granted by the Company to Modern Farming, a non-wholly-owned subsidiary of the Company, which was recognised as owners' contribution to Modern Farming, and proportionally attributable to non-controlling interests.

附註：本年度其他儲備的變動指本公司授予本公司非全資附屬公司現代牧業(集團)的免息貸款面值與攤銷成本之間差額部分，已確認為擁有人對現代牧業(集團)的貢獻，由非控股權益按比例分擔。

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 2018	於二零一八年一月一日的結餘	62,137
Purchase of ordinary shares for the share award scheme (Note 37(b))	就股份獎勵計劃購買普通股(附註37(b))	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
Purchase of ordinary shares for the share award scheme (Note 37(b))	就股份獎勵計劃購買普通股(附註37(b))	31,127
Reversal due to vesting of award shares (Note 37(b))	因獎勵股份歸屬而撥回(附註37(b))	(59,835)
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	57,012



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FOR THE YEAR ENDED 31 DECEMBER 2019 截至二零一九年十二月三十一日止年度

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) Modern Farming Option Scheme

On 31 October 2010, the Company granted to two directors and one senior management member of Modern Farming a total of 87,412,507 share options of the Company for nil consideration and with an exercise price of HK\$0.86 (RMB0.74) per share (the "Management Options") which will expire on 29 October 2020. The following table discloses movements of the Management Options during the current year.

Category		Outstanding as at 1 January 2019 於二零一九年 一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Outstanding as at 31 December 2019 於二零一九年 十二月三十一日 尚未行使
Management Options	管理層購股權	50,930,832	-	-	50,930,832

Category		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	Exercised during the year 年內行使	Outstanding as at 31 December 2018 於二零一八年 十二月三十一日 尚未行使
Management Options	管理層購股權	50,930,832	-	-	50,930,832

37. 以股份支付的付款交易

(a) 現代牧業(集團)購股權計劃

於二零一零年十月三十一日，本公司以零代價向現代牧業(集團)兩名董事及一名高級管理層授出合共87,412,507份本公司購股權，行使價為每股0.86港元(人民幣0.74元)(「管理層購股權」)，將於二零二零年十月二十九日到期。下表披露管理層購股權於本年度的變動。



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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme

(i) Share Award Scheme I

On 9 September 2016 (the “**Adoption Date I**”), the Company adopted a share award scheme (the “**Share Award Scheme I**”) 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 I is valid and effective for a period of 5 years commencing from the Adoption Date I. The shares to be awarded under the Share Award Scheme I 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, Dairy Fortune purchased a total of 35,519,000 ordinary shares of the Company from open market at a total consideration of approximately HK\$68,966,000 (equivalent to approximately RMB61,424,000). During the year ended 31 December 2017, 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 I**”).

(b) 購股權計劃

(i) 股份獎勵計劃

於二零一六年九月九日(「**採納日期I**」)，本公司採納一項股份獎勵計劃(「**股份獎勵計劃I**」)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I有效期五年，自採納日期I起生效。根據股份獎勵計劃I將獎勵的股份由本公司透過 Dairy Fortune (PTC) Limited(「**受託人**」)100%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，直至將有關股份歸屬。Dairy Fortune可購入的股份數目上限為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(相當於約人民幣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I**」)。

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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) 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 I"), a total 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 I (i.e. 21 April 2020) provided that certain performance and service conditions are met. The remaining 29,332,000 Award Shares were granted to certain members of management and eligible employees (the "Award Shares B"), which would vest in the second anniversary of the Grant Date I (i.e. 21 April 2019) provided they are still employed by the Group.

(b) 購股權計劃 (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的「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I」），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I的第三個週年（即二零二零年四月二十一日）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（「獎勵股份B」）則授予若干管理層成員及合資格僱員，於授出日期I的第二個週年（即二零一九年四月二十一日）歸屬，惟彼等須仍受僱於本集團。



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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(i) Share Award Scheme I (continued)

The following table discloses movements of the Award Shares I during the reporting period:

Category	Outstanding as at 1 January 2019 於二零一九年一月一日 尚未行使	Forfeited due to resignation during the year 年內因辭任沒收	Vested during the year 年內歸屬	Outstanding as at 31 December 2019 於二零一九年十二月三十一日 尚未行使
Award Shares A 獎勵股份A	5,325,000	-	-	5,325,000
Award Shares B 獎勵股份B	22,423,000	(1,412,000)	(21,011,000)	-
	27,748,000	(1,412,000)	(21,011,000)	5,325,000

(b) 購股權計劃 (續)

(i) 股份獎勵計劃I (續)

下表披露獎勵股份I於報告期間的變動：

Category	Outstanding as at 1 January 2018 於二零一八年一月一日 尚未行使	Forfeited due to resignation during the year 年內因辭任沒收	Vested during the year 年內歸屬	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

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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(I) Share Award Scheme I (continued)

The fair values of Award Shares A and Award Shares B determined at the date of grant using Black-Scholes Model were HK\$7,731,000 (equivalent to RMB6,843,000) and HK\$36,265,000 (equivalent to RMB32,102,000) respectively.

The Group recognised a share award expense of RMB4,810,000 (2018: RMB8,646,000) accordingly during the current year. A total number of 21,011,000 shares of Award Shares B was vested to certain members of management and the eligible employees during the current year, and the difference of RMB13,234,000 between the amounts of RMB23,063,000 and RMB36,297,000 reversed in Share Award reserve and Shares held under the Share Award Scheme respectively, for the shares vested was recognised in retained earnings.

(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 from 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, Dairy Fortune purchased a total of 20,000,000 ordinary shares of the Company from open market at a total consideration of approximately HK\$28,835,000 (equivalent to approximately RMB23,583,000).

(b) 購股權計劃 (續)

(I) 股份獎勵計劃I (續)

獎勵股份A及獎勵股份B於授出日期使用布萊克 - 舒爾茨模式釐定的公平值分別為7,731,000港元(相當於人民幣6,843,000元)及36,265,000港元(相當於人民幣32,102,000元)。

於本年度，本集團相應確認股份獎勵開支為人民幣4,810,000元(二零一八年：人民幣8,646,000元)。合共21,011,000股獎勵股份B於本年度歸屬於若干管理層成員及合資格僱員，股份獎勵儲備撥回人民幣23,063,000元與就所歸屬股份根據股份獎勵計劃持有的人民幣36,297,000元股份之間的差額金額人民幣13,234,000元於保留盈利確認。

(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(相當於約人民幣23,583,000元)。



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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

During the year, Dairy Fortune purchased another 19,962,000 ordinary shares from the open market at a total consideration of approximately HK\$22,924,000 (equivalent to approximately RMB20,405,000) and the number of ordinary shares purchased by Dairy Fortune under Share Award Scheme II increased to 39,962,000 shares (the "Award Shares II").

On 29 March 2019, a total of 19,962,000 Award Shares II were granted to the selected participants. Out of the total shares granted, 9,981,000 Award Shares II vested on 21 April 2019 unconditionally (the "Award Shares C"). The remaining Award Shares of 9,981,000 were vested on 21 April 2019 with one year lock-up period beginning from the vesting date (the "Award Shares D").

The following table discloses movements of the Award Shares II during the reporting period:

Category	Outstanding as at 1 January 2019 於二零一九年 一月一日 尚未行使	Granted during the year 年內授出	Vested during the year 年內歸屬	Outstanding as at 31 December 2019 於二零一九年 十二月三十一日 尚未行使
Award Shares C 獎勵股份C	-	9,981,000	(9,981,000)	-
Award Shares D 獎勵股份D	-	9,981,000	(9,981,000)	-
	-	19,962,000	(19,962,000)	-

The fair values of Award Shares C and Award Shares D determined at the date of grant using Asian Option Model were HK\$12,484,000 (equivalent to RMB10,709,000) and HK\$11,698,000 (equivalent to RMB10,034,000), respectively.

(b) 購股權計劃 (續)

(II) 股份獎勵計劃II(續)

於本年度，Dairy Fortune從公開市場上收購額外19,962,000股普通股，總代價約為22,924,000港元（相當於約人民幣20,405,000元），Dairy Fortune根據股份獎勵計劃II購買的普通股數目增加至39,962,000股（「獎勵股份II」）。

於二零一九年三月二十九日，合共19,962,000股獎勵股份II授予選定參與者。於所有授出股份中，9,981,000股獎勵股份II於二零一九年四月二十一日無條件歸屬（「獎勵股份C」）。餘下獎勵股份9,981,000股於二零一九年四月二十一日歸屬，自歸屬日期起一年禁售期（「獎勵股份D」）。

下表披露獎勵股份II於報告期間的變動：

獎勵股份C及獎勵股份D於授出日期使用亞洲式期權模式釐定的公平值分別為12,484,000港元（相當於人民幣10,709,000元）及11,698,000港元（相當於人民幣10,034,000元）。

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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

The following assumptions were used to calculate the fair values of the Award Shares II:

(b) 購股權計劃 (續)

(II) 股份獎勵計劃II (續)

採用以下假設計算獎勵股份II的公平值：

		Award Shares C 獎勵股份C	Award Shares D 獎勵股份D
Grant date share price	授出日期的股價	HK\$1.30 1.30港元	HK\$1.30 1.30港元
Strike Price	行使價	HK\$1.30 1.30港元	HK\$1.30 1.30港元
Risk-free interest rate	無風險利率	1.38%	1.44%
Remaining restrict period	剩餘限期	0.06	1.06
Expected volatility	預期波幅	65.87%	43.20%
Dividend yield	股息收益	0.00%	0.00%
Option value	購股權價值	HK\$0.05 0.05港元	HK\$0.13 0.13港元

Expected volatility was determined by using the historical volatility of the Company's share price.

預期波幅乃使用本公司股價的歷史波幅釐定。

The variables and assumptions used in computing the fair values of the award shares are based on the best estimates of the Directors. Changes in variables and assumptions may result in changes in the fair value of the Award Shares.

用於計算獎勵股份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。



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37. SHARE-BASED PAYMENT TRANSACTIONS 37. 以股份支付的付款交易 (續)

(continued)

(b) Share Award Scheme (continued)

(II) Share Award Scheme II (continued)

The Group recognised a share award expense of RMB20,743,000 accordingly during the current year (2018: Nil). All of the Award Shares C and Award Shares D were vested to selected participants during the current year, and the difference of RMB2,795,000 between the amounts of RMB20,743,000 and RMB23,538,000 reversed in Share Award reserve and Shares held under the Share Award Scheme respectively, for the shares vested was recognised in retained earnings.

The Group retained a total number of 10,592,774 vesting shares as a consideration of approximately HK\$12,499,000 (equivalent to RMB10,722,000) for paying the individual income tax on behalf of those selected participants under Share Award Scheme I and II.

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.

(b) 購股權計劃 (續)

(II) 股份獎勵計劃II(續)

於本年度，本集團相應確認股份獎勵開支為人民幣20,743,000元（二零一八年：無）。於本年度，所有獎勵股份C及獎勵股份D歸屬於選定參與者，股份獎勵儲備撥回人民幣20,743,000元與就所歸屬股份根據股份獎勵計劃持有的人民幣23,538,000元股份之間的差額金額人民幣2,795,000元於保留盈利確認。

本集團根據股份獎勵計劃I及II代該等選定參與者支付個人所得稅時，保留合共10,592,774股歸屬股份作為代價約12,499,000港元（相當於人民幣10,722,000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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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(集團)與內蒙古蒙牛訂立兩份股份轉讓協議，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
Bank balances and cash	銀行結餘及現金	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：	RMB'000 人民幣千元
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	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、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)及本公司擁有人應佔權益(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

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Financial assets:	金融資產：		
Financial assets at amortised cost	按攤銷成本計量的金融資產	1,592,094	1,468,146
Equity instruments at FVTOCI	按公平值計入其他全面收入的 權益工具	3,959	2,508
Derivative financial instruments	衍生金融工具		
– Interest rate swaps – US\$	– 利率掉期 – 美元	4,325	40,774
– Foreign currency forward contracts	– 外幣遠期合約	53,505	39,025
– Foreign currency option contracts	– 外幣期權合約	31,713	625
Financial liabilities:	金融負債：		
Amortised cost	攤銷成本	7,970,190	9,060,972
Derivative financial instruments	衍生金融工具		
– Interest rate swaps – HK\$	– 利率掉期 – 港元	15,134	12,601
– Foreign currency forward contracts	– 外幣遠期合約	140	3,631
– Foreign currency option contracts	– 外幣期權合約	–	1,497

Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, pledged bank balances, non-pledged bank deposits, bank balances and cash, 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.

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、已質押銀行結餘、未質押銀行存款、銀行結餘及現金、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。



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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

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 2019, the major assets denominated in foreign currency are bank balances disclosed in Note 26. 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 foreign currency forward contracts or foreign currency option contracts, when necessary, to manage its foreign exchange exposure.

Foreign currency sensitivity analysis

2% (2018: 2%) is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against US\$, HK\$ and EUR. The sensitivity analysis below includes US\$, HK\$ 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 strengthened in RMB against US\$, HK\$ or EUR by 2% and all other variables were held constant, the Group's post-tax profit (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

(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。

於二零一九年十二月三十一日，以外幣計值的主要資產為附註26所披露的銀行結餘。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，並可能訂立外幣遠期合約或外幣期權合約(如需要)，以管理其外匯風險。

外幣敏感度分析

2%(二零一八年：2%)的敏感率代表管理層對外匯匯率合理可能變動的評估。

本集團主要面臨來自人民幣兌美元、港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或外幣期權合約無關的以美元、港元及歐元計值的貨幣項目。於各報告期末，倘人民幣兌美元、港元或歐元升值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溢利(虧損)將有如下減少/增加：

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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)

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)

		(Decrease) increase in post-tax profit 除稅後溢利 (減少)增加 2019 二零一九年 RMB'000 人民幣千元	(Increase) decrease in post-tax loss 除稅後虧損 (增加)減少 2018 二零一八年 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		
– bank balances	– 銀行結餘	(1,178)	(1,989)
– bank borrowings	– 銀行借款	1,179	1,649
HK\$ denominated assets and liabilities against RMB	港元計值資產及負債兌人民幣		
– bank balances	– 銀行結餘	(769)	–
– bank borrowings	– 銀行借款	–	–
EUR denominated assets and liabilities against RMB	歐元計值資產及負債兌人民幣		
– bank balances	– 銀行結餘	(18)	(9)
– bank borrowings	– 銀行借款	–	12
Total	總計	(786)	(337)

For a 2% weakening of the RMB against US\$, HK\$ or EUR, there would be an equal and opposite impact on the post-tax profit (loss).

倘人民幣兌美元、港元或歐元貶值2%，則將對除稅後溢利(虧損)產生同等相反的影響。



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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Market risk (continued)

(ii) Interest rate risk

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

The Group's fair value interest rate risk relates primarily to fixed-rate bank and other borrowings, medium-term notes, corporate bonds and lease liabilities.

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, seven interest rate swap contracts had been entered by the Group to mitigate its cash flow interest rate risk (2018: three).

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 (2018: 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)

(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及其他借款、中期票據、公司債券及租賃負債。

本集團通過定期審查利率風險淨額，並可能訂立利率掉期合約(如需要)，以管理其利率風險。年內，本集團已訂立七份利率掉期合約以減輕其現金流量利率風險(二零一八年：三份)。

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(二零一八年：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

At the end of reporting period, if interest rates had been increased/decreased by 50 (2018: 50) basis points and all other variables were held constant, the Group's profit for the current year would have decreased/increased by RMB4,545,000 (loss for the year ended 31 December 2018 would have increased/decreased by RMB5,906,000).

Credit risk and impairment assessment

As at 31 December 2019, 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 as at 31 December 2018.

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 on trade balances individually. 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

於報告期末，倘利率增加／減少50個基點(二零一八年：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溢利將減少／增加人民幣4,545,000元(截至二零一八年十二月三十一日止年度虧損增加／減少人民幣5,906,000元)。

信貸風險及減值評估

於二零一九年十二月三十一日，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，因該等款項於二零一八年十二月三十一日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。客戶應佔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個別對貿易結餘進行減值評估。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 Group has concentration of credit risk as approximately 82% of total trade receivables as at 31 December 2019 (2018: 60%) was receivable due from the Mengniu Group, the Group's largest customer and a related party of the Company.

Pledged bank balances/non-pledged bank deposits/bank balances

The credit risks on pledged bank balances, non-pledged bank deposits, bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies and/or authorised banks in the PRC.

All of the non-pledged bank deposits were deposited in Rabo Bank as at 31 December 2019 (2018: nil) and approximately 27% of total bank balances was deposited in Agricultural Development Bank of China as at 31 December 2019 (2018: 25%).

Other than the concentration of credit risks of trade receivables, pledged bank balances and bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

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)

本集團存在信貸風險集中的情況，原因為於二零一九年十二月三十一日的應收貿易賬款總額中約82%(二零一八年：60%)為應收本集團最大客戶兼本公司關聯方蒙牛集團的款項。

已質押銀行結餘/未質押銀行存款/銀行結餘

已質押銀行結餘、未質押銀行存款、銀行結餘的信貸風險有限，原因為交易對手方為國際信貸機構給予高信貸評級的信譽良好的銀行及/或中國的認可銀行。

於二零一九年十二月三十一日，所有未質押銀行存款存於Rabo Bank(二零一八年：無)，於二零一九年十二月三十一日，銀行結餘總額約27%存入中國農業發展銀行(二零一八年：25%)。

除上述應收貿易賬款、已質押銀行結餘及銀行結餘的信貸風險集中情況外，本集團並無任何其他重大信貸集中風險。



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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

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)

本集團內部信貸評級包括以下類別：

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 – 無信貸減值	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 – 無信貸減值	Lifetime ECL – not credit-impaired 全期預期信貸虧損 – 無信貸減值
Loss 損失	There is evidence indicating the asset is credit-impaired 有證據顯示有關資產已信貸減值	Lifetime ECL – credit-impaired 全期預期信貸虧損 – 信貸減值	Lifetime ECL – credit-impaired 全期預期信貸虧損 – 信貸減值
Write-off 撤銷	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 撤銷金額	Amount is written off 撤銷金額



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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

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)

下表詳列本集團根據預期信貸虧損評估的金融資產信貸風險：

	NOTES 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 2019		Gross carrying amount 2018	
				賬面總值二零一九年		賬面總值二零一八年	
				RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Financial assets at amortised costs							
按攤銷成本計量的金融資產							
Pledged bank balances and non-pledged bank deposits	26	N/A	12m ECL	147,775		61,355	
已質押銀行結餘及未質押銀行存款		不適用	12個月預期信貸虧損				
Bank balances	26	N/A	12m ECL	893,421		703,005	
銀行結餘		不適用	12個月預期信貸虧損				
Other receivables							
其他應收款項							
- amount due from Mengniu	25	Low risk	12m ECL	-		1,681	
- 應收蒙牛款項		低風險	12個月預期信貸虧損				
- others		Low risk	12m ECL	9,308		4,315	
- 其他		低風險	12個月預期信貸虧損				
		Loss	Lifetime ECL	4,514	13,822	3,569	9,565
		損失	(credit-impaired) 全期預期信貸虧損 (信貸減值)				
Trade receivables							
應收貿易賬款							
- raw milk (Note)	25	Low risk	Lifetime ECL (not credit-impaired)	541,570		479,445	
- 原料奶(附註)		低風險	全期預期信貸虧損 (無信貸減值)				
- liquid milk product (Distributors) (Note)	25	Loss	Lifetime ECL (credit-impaired)	-		1,064,879	
- 液態奶產品(分銷商)(附註)		損失	全期預期信貸虧損 (信貸減值)				
- liquid milk product (others) (Note)	25	Loss	Lifetime ECL (credit-impaired)	8,635	550,205	11,171	1,555,495
- 液態奶產品(其他)(附註)		損失	全期預期信貸虧損 (信貸減值)				



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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses for all items individually since there are few numbers of customers for trade receivables.

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)

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。本集團個別釐定所有項目的預期信貸虧損，乃由於應收貿易賬款的客戶數目少。

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) 全期預期 信貸虧損 (無信貸減值) RMB'000 人民幣千元	Lifetime ECL (credit- impaired) 全期預期 信貸虧損 (信貸減值) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
As at 1 January 2018	於二零一八年一月一日	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	- 轉至信貸減值	(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 (others)	- 已撥回減值虧損(其他)	-	(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
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：			
- Impairment losses reversed (Distributors)	- 已撥回減值虧損(分銷商)	-	(160,451)	(160,451)
- Impairment losses reversed (others)	- 已撥回減值虧損(其他)	-	(1,837)	(1,837)
- Write-offs (Distributors)	- 撇銷(分銷商)	-	(686,618)	(686,618)
- Write-offs (others)	- 撇銷(其他)	-	(198)	(198)
As at 31 December 2019	於二零一九年十二月三十一日	-	8,635	8,635



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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：

		31/12/2019 Decrease in lifetime ECL 二零一九年十二月三十一日 全期預期信貸虧損減少		31/12/2018 Increase/(decrease) in lifetime ECL 二零一八年十二月三十一日 全期預期信貸虧損增加/(減少)	
		Not credit- impaired 無信貸減值 RMB'000 人民幣千元	Credit- impaired 信貸減值 RMB'000 人民幣千元	Not credit- impaired 無信貸減值 RMB'000 人民幣千元	Credit- impaired 信貸減值 RMB'000 人民幣千元
Trade debtors with a gross carrying amount of RMB7,526,000 defaulted and transferred to credit-impaired	違約及轉至信貸減值的貿易債務人，賬面總值為人民幣7,526,000元	-	-	(1,660)	7,025
Additional recognition of ECL for trade receivables of the Distributors	就分銷商應收貿易賬款確認額外預期信貸虧損	-	-	-	358,891
Settlement in full of the Distributors with a gross carrying amount of RMB378,261,000	分銷商全數結清賬面總值人民幣378,261,000元	-	(160,451)	-	-
Settlement in full of trade debtors with a gross carrying amount of RMB1,837,000 (Others) (2018: RMB298,000)	貿易債務人全數結清賬面總值人民幣1,837,000元(其他)(二零一八年：人民幣298,000元)	-	(1,837)	-	(163)

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Credit risk and impairment assessment (continued)

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.

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)

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。

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 (信貸減值) RMB'000 人民幣千元
As at 1 January 2018	於二零一八年一月一日	110
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:	
- 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 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:	
- Write-offs	- 撇銷	(8)
- New financial assets originated	- 源生的新金融資產	953
As at 31 December 2019	於二零一九年十二月三十一日	4,514



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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 other 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)

其他應收款項虧損撥備的變動主要由於：

		31/12/2019 Increase in lifetime ECL credit-impaired 二零一九年 十二月三十一日 全期預期信貸 虧損增加 信貸減值 RMB'000 人民幣千元	31/12/2018 Increase in lifetime ECL credit-impaired 二零一八年 十二月三十一日 全期預期信貸 虧損增加 信貸減值 RMB'000 人民幣千元
One debtor of other receivables defaulted	一項其他應收債務人款項違約	953	3,569

Liquidity risk

The Group had net current liabilities of RMB3,537,886,000 as at 31 December 2019 (31 December 2018: RMB3,883,813,000). 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, taking into account, (i) the available credit facilities of approximately RMB3,753,402,000 which remain unutilised as at 31 December 2019. These credit facilities included an amount of RMB300,000,000 from Inner Mongolia Mengniu, a subsidiary of Mengniu, expiring in December 2021 (Note 46(d)), and the remaining credit facilities of RMB3,453,402,000 are from banks; (ii) save as the credit facilities disclosed above, the Group acquired additional credit facilities of RMB2,650,000,000 from banks subsequent to the balance sheet date until the reporting date; (iii) the expected net cash inflows generated from the Group's operations for the next twelve months. The Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future, the consolidated financial statements have been prepared on a going concern basis.

流動資金風險

本集團於二零一九年十二月三十一日的流動負債淨額為人民幣3,537,886,000元(二零一八年十二月三十一日：人民幣3,883,813,000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融資進行續期及再融資(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，經考慮(i)於二零一九年十二月三十一日的可供動用信貸融資約人民幣3,753,402,000元並未動用。該等信貸融資包括來自內蒙古蒙牛(蒙牛的附屬公司)人民幣300,000,000元(二零二一年十二月屆滿)(附註46(d))，剩餘信貸融資人民幣3,453,402,000元來自銀行；(ii)除上述披露的信貸融資外，於資產負債表日期後直至報告日期止本集團向銀行取得額外信貸融資人民幣2,650,000,000元；(iii)未來十二個月本集團營運產生的預期現金流入淨額，董事信納本集團將能夠在可將來在到期時充分履行其財務責任，綜合財務報表已按持續經營基準編製。

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40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

(continued)

Liquidity risk (continued)

The Group finances their operations by using a combination of borrowings and equity. Adequate lines of credit, including a facility of RMB300,000,000 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.

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)

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300,000,000元)。董事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，日常經營及資本開支所需的流動資金及資金來源充足。

下表詳列本集團餘下非衍生金融負債的合約到期情況。該表根據本集團可能被要求支付的最早日期的金融負債未貼現現金流量而編製。

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(流入)及流出淨額以及該等需要總額結算的衍生工具的未貼現總(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天內	181天至365天內	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 2019	於二零一九年十二月三十一日							
Non-derivative financial liabilities	非衍生金融負債							
Non-interest bearing	不計息	-	1,210,784	169,519	-	-	1,380,303	1,380,303
Fixed interest rate bank borrowings	定息銀行借款	3.20-5.00	589,116	838,221	60,641	-	1,487,978	1,449,411
Variable interest rate bank borrowings	浮息銀行借款	4.28-5.17	206,431	2,315,532	1,504,325	190,998	4,217,286	4,089,063
Other borrowings	其他借款	4.79-4.80	1,059,803	-	-	-	1,059,803	1,051,413
Lease liabilities	租賃負債	5.13-5.20	17,762	16,523	20,208	312,357	366,850	229,347
			3,083,896	3,339,795	1,585,174	503,355	8,512,220	8,199,537
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)		2,042	4,077	9,414	-	15,533	15,134
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		-	-	(139,380)	-	(139,380)	(135,048)
- outflow	- 流出		-	-	139,524	-	139,524	135,188



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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天內	181天至365天內	1至2年	超過2年	未貼現現金	賬面值
		%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
As at 31 December 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

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。

		Bank borrowings	Medium-term notes	Corporate bonds	Other borrowings	Amounts due to Mengniu	Lease liabilities	Total
		銀行借款	中期票據	公司債券	其他借款	應付蒙牛款項	租賃負債	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
		(Note 29)	(Note 30)	(Note 31)	(Note 32)	(Note 28)	(Note 33)	
		(附註29)	(附註30)	(附註31)	(附註32)	(附註28)	(附註33)	
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)
Disposal of subsidiaries	出售附屬公司	(394,213)	-	-	(93,526)	-	-	(487,739)
Receipt of Mengniu Bill	收取蒙牛票據	-	-	-	-	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	4,437,502	621,880	1,087,568	1,001,111	143,048	-	7,291,109
Adjustment upon application of IFRS 16	應用國際財務報告準則第16號後調整	-	-	-	-	-	209,125	209,125
At 1 January 2019	於二零一九年一月一日	4,437,502	621,880	1,087,568	1,001,111	143,048	209,125	7,500,234
Financing cash flows	融資現金流量	768,398	(628,500)	(1,102,213)	123	(150,000)	(18,005)	(1,130,197)
New leases entered	新訂立租賃	-	-	-	-	-	27,217	27,217
Foreign exchange	外匯	84,167	-	-	-	-	-	84,167
Interest expenses	利息開支	248,407	6,620	14,645	50,179	6,952	11,010	337,813
At 31 December 2019	於二零一九年十二月三十一日	5,538,474	-	-	1,051,413	-	229,347	6,819,234

Note: The cash flows from the interest rate swaps, bank borrowings, 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、中期票據、其他借款、公司債券及應付蒙牛的款項的現金流量構成綜合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.

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。



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42. FAIR VALUE MEASUREMENTS (continued)

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

(continued)

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.

Fair value hierarchy

Assets/(liabilities)		Fair value as at 31 December 2019 於二零一九年 十二月三十一日 的公平值 RMB'000 人民幣千元	Fair value as at 31 December 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 hierarchy 公平值級別
Biological assets	生物資產	7,459,359	7,717,113	level 3 第三級
Derivative financial instruments	衍生金融工具			
- Interest rate swaps	- 利率掉期	4,325	40,774	level 2 第二級
- Foreign currency forward contracts	- 外幣遠期合約	53,505	39,025	level 2 第二級
- Foreign currency option contracts	- 外幣期權合約	31,713	625	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	3,959	2,508	level 3 第三級
Derivative financial instruments	衍生金融工具			
- Interest rate swaps	- 利率掉期	(15,134)	(12,601)	level 2 第二級
- Foreign currency forward contracts	- 外幣遠期合約	(140)	(3,631)	level 2 第二級
- Foreign currency option contracts	- 外幣期權合約	-	(1,497)	level 2 第二級

42. 公平值計量(續)

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(續)

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。

公平值級別

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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:

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：

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 外幣遠期合約	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 外幣期權合約	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



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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 the 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 RMB21,100 per head at 31 December 2019 (2018: RMB22,700). 於二零一九年十二月三十一日，14個月的小母牛的平均當地市場售價估計為每頭人民幣21,100元(二零一八年：人民幣22,700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 RMB16,203 at 31 December 2019 (2018: RMB16,240); average estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are RMB16,417 at 31 December 2019 (2018: RMB16,620).</p> <p>於二零一九年十二月三十一日，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16,203元(二零一八年：人民幣16,240元)；於二零一九年十二月三十一日，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16,417元(二零一八年：人民幣16,620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 RMB1.77 for the year ended 31 December 2019 (2018: RMB1.89), based on the historical average feed costs per kg of raw milk after taking into consideration of inflation. 截至二零一九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1.77元(二零一八年：人民幣1.89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。	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。
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield at each lactation cycle ranges from 27.9 kg to 30.1 kg for the year ended 31 December 2019 (2018: 26.5 kg to 28.7 kg), depending on the number of the lactation cycles and the individual physical condition. 奶牛有六個哺乳期。截至二零一九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27.9公斤至30.1公斤(二零一八年：26.5公斤至28.7公斤)，視哺乳期數目以及個別身體狀況而定。	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
		Estimated local future market price for raw milk is RMB4.04 per kg at 31 December 2019 (2018: RMB3.86 per kg). 於二零一九年十二月三十一日，估計當地未來原料奶市價為每公斤人民幣4.04元(二零一八年：每公斤人民幣3.86元)。	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. 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。
		Discount rate for estimated future cash flow used is 12.30% at 31 December 2019 (2018: 11.80%). 於二零一九年十二月三十一日，所用估計未來現金流量的貼現率為12.30%(二零一八年：11.80%)。	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. 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。

Reconciliation of Level 3 fair value measurements

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
Total gains in OCI	於其他全面收入的收益總額	1,451
At 31 December 2019	於二零一九年十二月三十一日	3,959

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42. FAIR VALUE MEASUREMENTS (continued)

Reconciliation of Level 3 fair value measurements

(continued)

The reconciliations from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in Note 23.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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.

43. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments under operating leases recognised during 2018 was RMB11,109,000.

At the end of 2018, 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
Within one year	一年以內	12,924
In the second to fifth year inclusive	第二年至第五年(包括首尾兩年)	44,596
Over five years	超過五年	243
		57,763

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.

42. 公平值計量(續)

第三級公平值計量的對賬(續)

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23。

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

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量分析釐定。

43. 經營租賃承擔

本集團作為承租人

二零一八年根據經營租賃確認的最低租賃付款為人民幣11,109,000元。

於二零一八年末，本集團已承諾就根據不可撤銷經營租賃租用的物業、廠房及設備以及租賃土地支付的未來最低租賃付款按到期情況分析如下：

經營租賃付款指本集團就物業、廠房及設備以及租賃土地應付的租金，而租約的期限商定為一至八年，租金則固定。

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44. CAPITAL COMMITMENTS

44. 資本承擔

	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	21,474	7,812

45. MAJOR NON-CASH TRANSACTIONS

- (a) 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 RMB6,952,000 for the current year (2018: RMB1,804,000) on the payable to Mengniu under amortised cost method. In October 2019, the amounts payable to Mengniu was settled at cash consideration of RMB150,000,000.
- (b) During the year, the Group entered into new lease agreements for the use of leased lands, leased properties, leased machineries and equipments for lease terms of 2 to 30 years. On the commencement of leases, the Group recognised right-of-use asset of RMB27,317,000 and lease liability of RMB27,217,000, respectively.

45. 重大非現金交易

- (a) 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。於本年度，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6,952,000元(二零一八年：人民幣1,804,000元)。於二零一九年十月，應付蒙牛款項已現金代價人民幣150,000,000元結清。
- (b) 於本年度，本集團訂立新租賃協議以使用租賃土地、租賃物業、租賃機械及設備，租期為2至30年。於租賃開始時，本集團分別確認使用權資產人民幣27,317,000元及租賃負債人民幣27,217,000元。

46. RELATED PARTY TRANSACTIONS

- (a) Names and relationship with related parties are as follows:
- | | |
|---------|---|
| Mengniu | A shareholder who directly and indirectly held 58.15% of the Company's issued share capital |
|---------|---|

46. 關聯方交易

- (a) 以下為關聯方名稱及與關聯方的關係：
- | | |
|----|--------------------------|
| 蒙牛 | 直接及間接持有本公司已發行股本58.15%的股東 |
|----|--------------------------|



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46. RELATED PARTY TRANSACTIONS (continued)

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

Amounts due from

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Trade receivable – raw milk	應收貿易賬款 – 原料奶		
Within 30 days based on invoice date	按發票日計30天以內	446,239	418,464
Other receivable	其他應收款項	243	1,681

Amounts due to

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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. The Group has fulfilled the conditions and recognised revenue of RMB18,000,000 in 2019.

46. 關聯方交易(續)

- (b) 於報告期末，本集團與關聯方有下列結餘：

應收款項

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Trade receivable – raw milk	應收貿易賬款 – 原料奶		
Within 30 days based on invoice date	按發票日計30天以內	446,239	418,464
Other receivable	其他應收款項	243	1,681

應付款項

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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

附註：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。本集團已達成條件，於二零一九年確認收益人民幣18,000,000元。

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46. RELATED PARTY TRANSACTIONS (continued)

- (c) During the current year, the Group had the following transactions with related parties:

46. 關聯方交易(續)

- (c) 於本年度，本集團與關聯方訂立以下交易：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Mengniu Group	蒙牛集團		
Sales of raw milk	銷售原料奶	4,702,150	4,222,146
Sales of liquid milk	銷售液態奶	-	239,995
Others	其他	2,311	2,933
		4,704,461	4,465,074
Mengniu Group	蒙牛集團		
Disposal of equipment	出售設備	440	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
		440	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 2019 於二零一九年 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 2019 於二零一九年 十二月三十一日 RMB'000 人民幣千元
Mengniu Entrusted Loan (Note i)	蒙牛委託貸款(附註i)	1,001,111	1,953,364	(1,953,145)	-	1,001,330
Mengniu Advance (Note ii)	蒙牛墊款(附註ii)	-	155,477	(155,477)	-	-

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 2018 於二零一八年 十二月三十一日 RMB'000 人民幣千元
Mengniu Entrusted Loan (Note i)	蒙牛委託貸款(附註i)	1,066,511	1,544,306	(1,544,306)	(65,400)	1,001,111

Notes:

- i. 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. In December 2019, borrowing facilities of RMB1,000,000,000 was extended to March 2023, borrowing facilities of RMB500,000,000 was revised to RMB300,000,000 and extended to December 2021. The outstanding borrowings at 31 December 2019 will mature within one year and bear interest at fixed rates ranging from 4.002% to 4.785% per annum. The Group recognised interest expense of RMB42,364,000 for the year ended 31 December 2019 (2018: RMB44,306,000).

附註:

- i. 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元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，到期日進一步延長至二零二一年九月。於二零一九年十二月，借款融資人民幣1,000,000,000元延長至二零二三年三月，借款融資人民幣500,000,000元修訂為人民幣300,000,000元並延長至二零二一年十二月。於二零一九年十二月三十一日尚未償還的借款將於一年內到期，並按介乎4.002%至4.785%的固定年利率計息。截至二零一九年十二月三十一日止年度，本集團確認利息開支人民幣42,364,000元(二零一八年：人民幣44,306,000元)。

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46. RELATED PARTY TRANSACTIONS (continued)

(d) Other borrowings (continued)

Notes: (continued)

- ii. During the current year, the Group entered into several advance payment agreements with Mengniu Group, pursuant to which, Mengniu Group agreed to pay in advance RMB150,000,000 to the Group and the advance payment is limited to be used in the Group's dairy cow raising business (the "Mengniu Advance"), which bear interest at a fixed rate of 4.800% per annum. For the year ended of 31 December 2019, the Mengniu Advance has been settled. The Group recognised interest expense of RMB5,478,000 for the year ended 31 December 2019 (2018:nil).

(e) Compensation of key management personnel

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

46. 關聯方交易(續)

(d) 其他借款(續)

附註：(續)

- ii. 於本年度，本集團與蒙牛集團訂立若干預付款項協議，據此，蒙牛集團同意向本集團預付人民幣150,000,000元，預付款項僅限於用作本集團奶牛飼養業務（「蒙牛預付款項」），按4.800%的固定年利率計息。截至二零一九年十二月三十一日止年度，蒙牛預付款項已償付。截至二零一九年十二月三十一日止年度，本集團確認利息開支人民幣5,478,000元（二零一八年：無）。

(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：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Salaries and other benefits	薪金及其他福利	16,490	12,190
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	11,805	4,291
Retirement benefits scheme contributions	退休福利計劃供款	926	292
		29,221	16,773



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47. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

47. 附屬公司

於二零一九年及二零一八年十二月三十一日，本公司的主要附屬公司詳情如下：

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/成立地點	Fully paid capital/ registered capital 已繳足股本/註冊資本	Equity interest attributable to the Company 本公司應佔股權				Principal activities 主要業務
			2019 二零一九年		2018 二零一八年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
Advanced Dairy Company (Luxemburg) Limited	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
Modern Farming (Note i) 現代牧業(集團)(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.	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.	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. (Note i) 馬鞍山現代牧業乳品銷售有限公司(附註i)	PRC 中國	RMB20,350,000 人民幣20,350,000元	-	100.00	-	100.00	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 本公司應佔股權				Principal activities 主要業務
			2019 二零一九年		2018 二零一八年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
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
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 (Saibei) Co., Ltd. (Note ii) 現代牧業(塞北)有限公司(附註ii)	PRC 中國	RMB30,000,000 人民幣30,000,000元	-	98.18	-	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



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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 本公司應佔股權				Principal activities 主要業務
			2019 二零一九年		2018 二零一八年		
			Directly 直接 %	Indirectly 間接 %	Directly 直接 %	Indirectly 間接 %	
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
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
Modern Farming (Wuhe) Co., Ltd. (Note ii) 現代牧業(五河)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 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 本公司應佔股權				Principal activities 主要業務
			2019 二零一九年		2018 二零一八年		
			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 1.00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 (Saibe) 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	RMB40,000,000 人民幣40,000,000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 iv) 成都現代牧業乳品銷售有限公司(附註iv)	PRC 中國	RMB1,000,000 人民幣1,000,000元	-	N/A 不適用	-	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 本公司應佔股權				Principal activities 主要業務
			2019 二零一九年		2018 二零一八年		
			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 iv) 現代牧業銷售(深圳)有限公司(附註iv)	PRC 中國	RMB1,000,000 人民幣1,000,000元	-	N/A 不適用	-	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
Wuhe Energy (Note iii) 五河能源(附註iii)	PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	N/A 不適用	Production of energy 生產能源
Hefei Energy (Note iii) 合肥能源(附註iii)	PRC 中國	RMB10,000,000 人民幣10,000,000元	-	98.18	-	N/A 不適用	Production of energy 生產能源

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.
- Wuhe Energy and Hefei Energy was established in July 2019 by injecting certain assets and liabilities spun off from Modern Farming (Wuhe) Co., Ltd. and Modern Farming (Hefei) Co., Ltd. (Note 27).
- Modern Farming (Shenzhen) Sales Company was deregistered in April 2019. Chengdu Modern Farming Dairy Products Sales Co., Ltd was deregistered in August 2019.

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(集團)擁有。
- 透過注入由分拆現代牧業(五河)有限公司及現代牧業(合肥)有限公司所得的若干資產及負債，五河能源及合肥能源於二零一九年七月成立(附註27)。
- 現代牧業銷售(深圳)有限公司於二零一九年四月撤銷註冊。成都現代牧業乳品銷售有限公司於二零一九年八月撤銷註冊。



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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		Profit (loss) allocated to non-controlling interests 分配至非控股權益的溢利(虧損)		Accumulated non-controlling interests 累計非控股權益	
		2019 二零一九年	2018 二零一八年	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Modern Farming 現代牧業(集團)	PRC 中國	1.82%	1.82%	8,074	(6,849)	126,111	108,907

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.

48. 擁有重大非控股權益的非全資附屬公司的詳情

下表載列擁有重大非控股權益的本集團非全資附屬公司的詳情：

有關擁有重大非控股權益的本集團附屬公司的財務資料概述如下。下文財務資料概要指集團公司間抵銷前的金額。

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Current assets	流動資產	3,043,245	2,441,886
Non-current assets	非流動資產	12,514,778	13,030,924
Current liabilities	流動負債	(5,508,174)	(6,474,566)
Non-current liabilities	非流動負債	(3,118,536)	(3,011,237)
Equity attributable to owners of the Company	本公司擁有人應佔權益	6,917,094	5,973,483
Non-controlling interests	非控股權益	14,219	13,524

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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 31/12/2019 截至 二零一九年 十二月三十一日 止年度 RMB'000 人民幣千元	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
Revenue	收入	5,514,210	4,956,811
Expenses	開支	5,070,686	5,335,868
Profit/(loss) attributable to owners of the Company	本公司擁有人應佔溢利/(虧損)	442,830	(375,643)
Profit/(loss) attributable to the non-controlling interests	非控股權益應佔溢利/(虧損)	694	(3,414)
Net cash inflow from operating activities	經營活動現金流入淨額	1,652,017	1,408,421
Net cash outflow from investing activities	投資活動現金流出淨額	(961,247)	(1,119,395)
Net cash outflow from financing activities	融資活動現金流出淨額	(525,476)	(296,796)
Net cash inflow/(outflow)	現金流入/(流出)淨額	165,294	(7,770)



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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：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 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	6,574,731	6,138,788
Amounts due from subsidiaries	應收附屬公司款項	3,045,771	2,260,130
		9,620,502	8,398,918
CURRENT ASSETS	流動資產		
Prepayments and other receivables	預付款項及其他應收款項	583	772
Bank balances and cash	銀行結餘及現金	172,917	79,622
Financial asset at fair value through profit or loss	按公平值計入損益的金融資產	85,207	76,413
		258,707	156,807
CURRENT LIABILITIES	流動負債		
Other payables	其他應付款項	2,142	570
Amounts due to subsidiaries	應付附屬公司款項	24,251	24,462
Bank borrowings – within one year	銀行借款 – 一年內	2,083,136	–
Derivative financial instruments	衍生金融工具	15,274	16,691
		2,124,803	41,723
NET CURRENT (LIABILITIES)/ASSETS	流動(負債)/資產淨額	(1,866,096)	115,084
TOTAL ASSETS LESS CURRENT LIABILITIES	總資產減流動負債	7,754,406	8,514,002
CAPITAL AND RESERVES	資本及儲備		
Share capital	股本	551,007	526,058
Reserves	儲備	6,107,568	5,951,551
TOTAL EQUITY	總權益	6,658,575	6,477,609
NON-CURRENT LIABILITY	非流動負債		
Bank borrowings	銀行借款	1,095,831	2,036,393
		7,754,406	8,514,002

LU Minfang
盧敏放
Director
董事

GAO Lina
高麗娜
Director
董事



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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 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Share options reserve 購股權儲備 RMB'000 人民幣千元	Share award reserve 股份獎勵儲備 RMB'000 人民幣千元	Accumulated losses 累計虧損 RMB'000 人民幣千元	Total 總計 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	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
Loss and total comprehensive expense for the year	年內虧損及全面開支總額	-	-	-	-	-	(114,016)	(114,016)
Reversal due to vesting of award shares	因獎勵股份歸屬而撥回	-	-	-	-	(43,806)	(16,029)	(59,835)
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	-	-	-	-	25,553	-	25,553
Ordinary shares issued	已發行普通股	24,949	304,315	-	-	-	-	329,264
Balance at 31 December 2019	於二零一九年十二月三十一日的 結餘	551,007	4,945,381	1,382,199	5,286	4,910	(230,208)	6,658,575



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50. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant events after the reporting period:

- (a) As disclosed in Note 27, the Disposal Transactions were completed in February 2020. In assessing whether the Group has lost the control of Wuhe Energy and Hefei Energy, two former wholly-owned subsidiaries of Modern Farming, the Directors considered all facts and circumstances, including but not limited to the Group's voting rights and representation in the board of directors of Jiangyin Dairy Energy (now holding the entire equity interests of Wuhe Energy and Hefei Energy). Taking into account the above factors, the Directors considered that upon completion of the Disposal Transactions, the Group lost control but retained significant influence in Wuhe Energy and Hefei Energy indirectly through its holding in Jiangyin Dairy Energy. Jiangyin Dairy Energy will be accounted for using equity method in the Group's consolidated financial statements.
- (b) The outbreak of a respiratory illness caused by Novel Coronavirus, or known as the COVID-19 (the "COVID-19"), in China including Hong Kong, has affected many businesses to different extent. Up to the date of approval of these consolidated financial statements, the Group has maintained the normal level of production and sales volume amid the outbreak of the COVID-19 and the Directors considered that the COVID-19 would not have significant impact to the Group's going concern and liquidity. However, due to the inherent unpredictable nature and rapid development relating to the COVID-19 and its pervasive impact, the Group will closely monitor in this regard.

50. 報告期後事項

本集團於報告期後發生以下重大事項：

- (a) 誠如附註27所披露，出售交易已於二零二零年二月完成。於評估本集團是否失去對五河能源及合肥能源(現代牧業(集團)的兩間前全資附屬公司)的控制權時，董事考慮所有事實及情況，包括但不限於本集團於江陰牧能(現持有五河能源及合肥能源的全部股權)董事會的投票權及代表。經計及上述因素，董事認為，出售交易完成後，本集團失去控制權但透過持有江陰牧能間接對五河能源及合肥能源保持重大影響力。江陰牧能將於本集團綜合財務報表採用權益法入賬。
- (b) 在中國(包括香港)由新型冠狀病毒(或稱為COVID-19(「COVID-19」))引起的呼吸道疾病暴發已在不同程度上影響多間企業。直至該等綜合財務報表批准日期，本集團在COVID-19爆發期間維持正常生產及銷量水平，董事認為COVID-19不會對本集團的持續經營及流動性產生重大影響。然而，由於COVID-19的固有不可預測性質及其急速發展以及其廣泛影響，本集團將對此進行密切監察。



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