2018 INTERIM REPORT

中國中地乳業控股有限公司
China ZhongDi Dairy Holdings Company Limited

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

Stock code: 1492

中地乳业
ZhongDi Dairy

Corporate Profile

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

SENIOR MANAGEMENT

Mr. Song Naishe
Ms. He Shan
Ms. Zhang Xin

STOCK CODE

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

INVESTOR RELATIONS CONTACT

Ms. Zhang Xin
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Hong Kong
Email: ir@zhongdidairy.hk
Website: www.zhongdidairy.hk

PLACE OF BUSINESS IN HONG KONG

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Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

Corporate Information *(continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

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

AUTHORIZED REPRESENTATIVES

Mr. Zhang Jianshe
Ms. Zhang Xin

AUDITORS

Ernst & Young
22/F, CITIC Tower, 1 Tim Mei Avenue
Central
Hong Kong

COMPANY SECRETARY

Ms. Zhang Xin

COMPANY'S WEBSITE

www.zhongdidairy.hk

Highlights

The board (the "**Board**") of directors (the "**Directors**") of China ZhongDi Dairy Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the interim report of the Company consolidated with the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June			
	2018		2017	
	Results before biological fair value adjustments (unaudited) RMB'000	**Results after biological fair value adjustments (unaudited) RMB'000**	Results before biological fair value adjustments (unaudited) RMB'000	Results after biological fair value adjustments (unaudited) RMB'000
Revenue	**667,283**	**667,283**	574,988	574,988
Gross profit margin	**36%**	**4%**	31%	3%
Profit/(Loss) for the period attributable to owners of the parent	**141,085**	**46,125**	95,960	(21,077)
Basic and diluted earnings/(losses) per share (RMB cents)		**2.1**		(1.0)

- Revenue increased by 16% as compared to the corresponding period in 2017.
- Profit for the period before biological fair value adjustments increased by 47%, as compared to the corresponding period in 2017.
- Profit for the period after biological fair value adjustments increased from loss of RMB21.1 million in the corresponding period in 2017 to profit of RMB46.1 million.

Management Discussion and Analysis

INDUSTRY AND MARKET REVIEW

With the new norm in the Chinese economy, the increasing pressure of downturn in the macroeconomy, the ability of dairy product consumption of citizens in both urban and rural areas was affected to a certain extent. The growth in market demand for dairy products has slowed down. Under the influence of factors such as breeding model, production efficiency and costs, the price of international fresh milk is generally lower than that of domestic fresh milk. In addition, the import tariff for dairy products in China is substantially lower than the international average. Domestic raw milk production continued to be hit by low-priced dairy imports. During the Reporting Period, the average purchase price of fresh milk in the main production area in China remained low and fell to historic low in recent years.

Impacted jointly by numerous factors such as the continuously low price of raw milk, the increased price of feeds for dairy cows and environmental requirements, there was a lower preference to breed within the industry. Small and medium dairy farmers continued withdrawing from the market while large scale farms also eliminated low-capacity and low-quality dairy cows. There was a declining number of dairy herds in the market and continuous adjustments in production. Milk production was below the average production of the past 10 years. It is expected that the supply of domestic raw milk will keep on shrinking for a period in the future.

On 11 June 2018, the State Council issued the Circular on Promoting the Revitalization of Dairy Industry and Ensuring the Quality and Safety of Dairy Products (the "**Circular**"), which made comprehensive planning for accelerated revitalization of the dairy industry and the guarantee of quality and safety of dairy products. The Circular proposed accelerating the construction of the industrial system, production system, operation system and the quality and safety system of the dairy industry according to the requirements for high quality development, with the goals of achieving quality and safety and green development. The structural reform on supply side will be the main direction with focus on cost reduction, structure optimization, improved quality, brand-building and higher vitality, in order to enhance quality, efficiency and competitiveness of the dairy industry. By 2020, there should be substantive results in the structural reform on supply side of the dairy industry and significant progress in building a modernized milk industry. The breeding scale of over 100 heads shall reach the ratio of over 65% and the self-sufficiency rate of milk resources shall be maintained at over 70%. The publication of the Circular illustrates that the Chinese government is aware of the necessity to fulfill the increasing demand for dairy product consumption from its nationals with domestic resources from the perspective of development. The Circular is a programmatic document in response to the current development of dairy industry in the country, providing important guidance for the development of the dairy industry in China from the strategic perspective.

In addition to the clear government policies, the consumption of Chinese dairy products is far from saturation in terms of market demand and consumption. There is huge room for development in the industry. Given the immense potential of development in the market, the supply should be guaranteed and the quality and safety of dairy products should be secured. Ultimately, it depends on the growth and development of the domestic dairy industry.

Management Discussion and Analysis *(continued)*

BUSINESS REVIEW

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

During the first half of 2018, the Group adhering to the corporate spirit of practical innovation and precision and high efficiency, the Group strictly followed various missions and goals set out at the beginning of the year. With the improvement in economic efficiency as the centre and operation transformation and precise management as entry points, quality awareness and effectiveness awareness were reinforced. Emphasis was put on product quality and the tasks of increasing production, reducing costs and improving efficiency. The Group steadily improved production and operation capability through scientific breeding, precise feeding with a focus on marketing and ecology. It also strived to enhance its core competitiveness in fierce market competition, and established and maintained the Group's leading position in the industry.

Under the guidance of the Ministry of Agriculture and Rural Affairs and the Bureau of Agricultural Reclamation, Dairy Association of China organized the "2018 Outstanding Dairy Industry Practitioners and Dairy Product Processing Enterprises" selection. After selection, the Group was awarded the "Backbone Enterprise in Dairy Industry". Mr. Zhang Jianshe, our Chairman, was named a "Merit Personnel" and Mr. Zhang Kaizhan, our executive director, was named "Talent with Exceptional Contribution". With this encouragement, the Group will continue its innovation and expand its corporate brand impact, tirelessly promoting the development of its own business and also of the industry.

Dairy Farming Business

Despite the exceptionally harsh condition in the external market, the raw milk produced by the Group maintained its consistently high quality under the leadership of the Chairman and the leadership team of the Group and through high-standard, detail-oriented and strictly complied with scientific management. In the first half of 2018, the average unit selling price of the Group's raw milk was approximately RMB3,606 per tonne which was higher than the national average level. In the first half of 2018, the Group's sales of raw milk was 185,062 tonnes, and the revenue generated from the dairy farming business reached RMB667.3 million, representing 100% of the Group's total revenue, and is the core business of the Group. As the Group has reached long-term purchase and sales strategic partnerships with Mengniu and Yili, the premium raw milk produced by the Group is mainly sold to Mengniu and Yili for processing into high-end liquid milk, such as Mengniu's Milk Deluxe (特侖蘇) and Yili's Satine (金典). The Group believes that the increasing health awareness and the strong demand for high quality dairy products from domestic consumers will help the Group maintain its strong competitiveness in the supply of premium raw milk.

Management Discussion and Analysis *(continued)*

1. *Scale of dairy farms*

Focusing on the development status and market demand of various regions in China, the Group strategically planned the presence of its dairy farms to cover seven provinces or regions in Northern China. As at 30 June 2018, the Group operated the following seven modern dairy farms: Beijing ZhongDi Farm, Inner Mongolia ZhongDi Dairy, Helan ZhongDi Farm, Kuandian ZhongDi Farm, Langfang ZhongDi Farm, Tianzhen ZhongDi Farm and Tianjin ZhongDi Farm.

2. *Herd size*

	30 June 2018 Heads	31 December 2017 Heads
Milkable dairy cows	**36,254**	33,797
Heifers and calves	**29,587**	30,403
	65,841	64,200

As at 30 June 2018, the Group's herd size was 65,841 heads, which has increased by 1,641 heads as compared to that as at 31 December 2017.

3. *Milk yield and sales*

The Group's dairy cows are of Holstein breed, which is the breed with the highest milk production. The average annual milk yield of each lactation cow of the Group for the first half of 2018 was 11.9 tonnes, basically remaining at the same level as compared to that of the corresponding period of the previous year. Benefiting from the expansion in the size of dairy farms, sales of raw milk amounted to 185,062 tonnes during the Reporting Period, representing an increase of 42.4% as compared to the corresponding period of the previous year.

Management Discussion and Analysis *(continued)*

4. Raw milk quality

The Group strives to produce premium quality raw milk. Viewing from a range of key quality indicators, the Group's raw milk is of stable premium quality and all the indicators outperform the standards in Europe, the United States and Japan, which are the reasons why the Group is able to maintain a selling price higher than the market average level. As the Group has reached long-term purchase and sales strategic partnerships with Yili and Mengniu, the premium quality raw milk produced by the Group was mainly sold to Mengniu and Yili for processing into high-end liquid milk.

Standard	**Protein content** (Unit: %)	**Fat content** (Unit: %)	**Aerobic plate count** (Unit:/ml)	**Somatic cell count** (Unit:/ml)
The Company [1]	3.37	3.93	23,600	148,200
EU Standard [2]	N/A	N/A	<100,000	<400,000
US Standard [3]	≧3.2	≧3.5	<100,000	<750,000
PRC Standard [4]	≧2.8	≧3.1	<2,000,000	N/A

Notes:

1. Calculated according to the statistical data of the Group's raw milk quality for the first half of 2018.
2. Please refer to the Council Directive 92/46/EEC adopted by the EU.
3. Please refer to Grade "A" Pasteurized Milk Ordinance promulgated by the US Public Health Service.
4. Please refer to the National Food Safety Standard (GB19301-2010) of the PRC.

Import Trading Business

The Group's import trading business mainly involves imports of dairy cows, alfalfa hay and other animal husbandry related products. The import trading business is divided into import principal trading business and import agency business. In the first half of 2018, the Group has not recognised revenue from import trading business as the performance obligations of uncompleted contracts were not satisfied. As at 30 June 2018, the total outstanding contract amount of the Group was RMB58.2 million.

Management Discussion and Analysis *(continued)*

PROSPECTS

According to the report published in the 19th Diary Conference of the International Farm Comparison Network (IFCN) in June 2018, the supply of and the demand for international dairy products will continue to grow for a substantial period of time in the future. The supply and demand had a primarily balanced relationship. Population growth and the rise in dairy product consumption per capita will be the main driving force of future growth in demand.

From the analysis of the domestic demand in China, there will definitely be an inelastic growth in consumption for the dairy industry as a result of further urbanization, consumption upgrade, change in consumption habits on dairy products and the gradual realization of benefits derived from the two-child policy, especially with lower per capita consumption of dairy products in Tier 3 and 4 cities and rural areas in China. There is a significant room for growth in the demand for dairy products given improved living conditions and changes in consumption habits in the future. According to related information, in the first half of 2018, there is a year-on-year increase of 9% in the retail sales of liquid dairy products in Tier 3 and 4 cities and rural areas. Growth is expected to continue in these areas, which become the new engine driving the growth of scale of dairy product consumption.

Looking forward, there is still room for increase in the purchase price of domestic raw milk in the second half of the year due to factors such as production adjustment, recovery in consumption and rising inflation, and also with increasingly strict external environmental constraints and the inelastic increase in the costs of internal breeding. Moreover, along with the improvement in the standard system of raw milk, structural differentiation of price is expected, reflecting premium quality for premium price.

However, the dairy industry in China is highly responsive to the international situation. As the US-Chinese trade war gradually intensifies, trade friction will certainly disrupt the supply and demand dynamics between international dairy products and raw materials such as alfalfa and feeds. It is hard to predict the impact on the industry now.

In view of the complicated market environment both internationally and domestically, being one of the leading large-scale dairy farming enterprises in the PRC and a premium raw milk producer and supplier, the Group must make efforts internally to strengthen risk management and control capability, deepen safety management and avoid operational risks. It will fully leverage on the Group's competitive advantages in breeding technologies and cow herd management to continuously improve the operation efficiency of dairy farms and increase the milk yield of dairy cows and guarantee the premium quality of milk. Sustainable ecological dairy farms will be established to enhance the industrial ability of sustainable development.

Management Discussion and Analysis *(continued)*

FINANCIAL HIGHLIGHTS

Revenue

The table below sets forth the revenue of each business segment for the six months ended 30 June 2018 and 2017, respectively:

	Six months ended 30 June					
	2018			2017		
	External Sales RMB'000	**Internal Sales RMB'000**	**Total RMB'000**	External Sales RMB'000	Internal Sales RMB'000	Total RMB'000
Dairy farming business	**667,283**	**—**	**667,283**	474,622	—	474,622
Import trading business	**—**	**11,544**	**11,544**	100,366	34,934	135,300
Total	**667,283**	**11,544**	**678,827**	574,988	34,934	609,922

The Group's revenue for the six months ended 30 June 2018 amounted to RMB667.3 million as compared to RMB575.0 million for the six months ended 30 June 2017, representing a year-on-year increase of 16.1%. The increase was mainly attributed to an increase in the sales volume of raw milk.

Dairy Farming Business

The revenue of the Group's dairy farming business for the six months ended 30 June 2018 amounted to RMB667.3 million as compared to RMB474.6 million for the six months ended 30 June 2017, representing a year-on-year increase of 40.6%.

The revenue for the periods indicated are set out in the table below:

	Six months ended 30 June					
	2018			2017		
Dairy farming business	**Revenue RMB'000**	**Sales Volume**	**Unit Selling Price RMB**	Revenue RMB'000	Sales Volume	Unit Selling Price RMB
Raw milk (tonne)	**667,283**	**185,062**	**3,606**	474,622	129,934	3,653

In 2018, the Company continued increasing the scale of its dairy farm and the number of milkable cows increased. As a result, the production of raw milk increased while the sales volume of raw milk grew by 42.4% as compared to that of the six months ended 30 June 2017. Meanwhile, as affected by the market, the price of raw milk decreased slightly.

Management Discussion and Analysis *(continued)*

Import Trading Business

Revenue from the Group's import principal trading business and import agency business for the periods indicated are set out in the table below:

	Six months ended 30 June			
	2018		2017	
	Revenue RMB'000	**Percentage**	Revenue RMB'000	Percentage
Import principal trading	—	—	100,272	99.9%
Import agency business	—	—	94	0.1%
Total	—	—	100,366	100.0%

The Group has not recognised revenue from import trading business as the performance obligations of uncompleted contracts were not satisfied as at 30 June 2018.

Gross Profit and Gross Profit Margin

The breakdowns of gross profit and gross profit margin before annual fair value adjustments of the Group's two business segments are set out below:

	Six months ended 30 June			
	2018		2017	
	Gross Profit RMB'000	**Gross Profit Margin**	Gross Profit RMB'000	Gross Profit Margin
Dairy farming business	**238,544**	**35.8%**	172,848	36.4%
Import trading business	—	—	3,875	3.9%
Total	**238,544**	**35.8%**	176,723	30.7%

For the six months ended 30 June 2018, the gross profit of the raw milk sales business, being the major part of the Group's dairy farming business, was RMB238.5 million, representing an increase of 35.0% as compared to the corresponding period of last year, which was mainly attributed to an increase in the sales volume of raw milk. The gross profit margin of the Group's dairy farming business was 35.8%, which has slightly decreased as compared to the corresponding period of last year, which was mainly attributed to the decline in the selling price of raw milk.

Management Discussion and Analysis *(continued)*

Cost of Sales

Cost of sales of the Group's dairy farming business is set out below:

	Six months ended 30 June			
	2018		2017	
	RMB'000	**Percentage**	RMB'000	Percentage
Feed	**334,125**	**77.9%**	230,797	76.5%
Labour costs	**24,436**	**5.7%**	17,307	5.7%
Others	**70,178**	**16.4%**	53,670	17.8%
Total	**428,739**	**100.0%**	301,774	100.0%

The cost structure of the Group's dairy farming business remained roughly the same as compared to the corresponding period of last year.

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

Net losses from changes in the fair value of biological assets less costs to sell for the six months ended 30 June 2018 was RMB95.0 million, representing a decrease of RMB18.3 million as compared to net losses of RMB113.3 million for the corresponding period of last year, which was mainly attributed to the regular and systematic culling of lactating cows whose milk yield were low in economic efficiency as compared to their feeding costs and a decline in the average selling price of raw milk with industry fluctuations.

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

For the six months ended 30 June 2018, the Group's gains arising from initial recognition of agricultural produce at fair value less costs to sell upon harvest were RMB212.8 million, representing a increase of RMB56.7 million as compared to RMB156.1 million for the six months ended 30 June 2017, which was mainly due to the increase in sales volume of raw milk.

Management Discussion and Analysis *(continued)*

Other Income

Other income includes government grants, bank interest income and others. Income from government grants recognized for the six months ended 30 June 2018 was RMB15.1 million, decreased by 22.2% as compared to RMB19.4 million for the six months ended 30 June 2017.

Operating Expenses

	Six months ended 30 June		
	2018	2017	Rate of Change
	RMB'000	RMB'000	
Distribution cost	**28,031**	19,278	45.4%
Administrative expenses	**34,007**	33,308	2.1%
Other expenses	**232**	264	-12.1%
Total	**62,270**	52,850	17.8%

The amount of operating expenses increased from RMB52.9 million for the six months ended 30 June 2017 to RMB62.3 million for the six months ended 30 June 2018, representing a year-on-year increase of 17.8%.

The significant increase in distribution cost was due to the increase in the sales volume of raw milk by 42.4%.

Financing Costs

Financing costs increased by 20.6% from RMB46.1 million for the six months ended 30 June 2017 to RMB55.6 million for the six months ended 30 June 2018, which was due to the growth in scale of financing as a result of expansion of the business.

Liquidity and Sources of Funds

The working capital of the Group mainly derived from cash inflow generated from daily operating activities and bank borrowings. As at 30 June 2018, the gearing ratio of the Group was 53.1% (31 December 2017: 53.8%). The gearing ratio was calculated by total liabilities divided by total assets. As at 30 June 2018, the bank balances and cash balance were RMB445.7 million (31 December 2017: RMB391.5 million).

Management Discussion and Analysis *(continued)*

Indebtedness

Borrowings of the Group were denominated in RMB. As at 30 June 2018, the balance of short-term borrowings including long-term borrowings due within one year amounted to RMB1,316.4 million (31 December 2017: RMB1,087.2 million). As at 30 June 2018, the balance of long-term borrowings after deducting the portion due within one year amounted to RMB476.2 million (31 December 2017: RMB634.1 million). The bank borrowings with fixed interest rate amounted to approximately RMB678.2 million (31 December 2017: RMB571.5 million).

Contingent Liabilities

As at 30 June 2018, there were no material contingent liabilities (31 December 2017: Nil).

Foreign Exchange Risk

As at 30 June 2018, save for bank and cash balances of RMB187.5 million which were USD denominated assets and RMB0.2 million which were HKD denominated assets, the other assets and liabilities of the Group were settled in RMB. For the six months ended 30 June 2018, the Board is of the view that the Group was not subject to any significant foreign exchange risks.

Significant Investments, Acquisitions and Disposals of Assets

Save for the disclosure made in this interim report, the Group had no significant investments during the Reporting Period. During the Reporting Period, the Group had no significant acquisitions or disposals regarding subsidiaries, associated companies and joint ventures.

Pledge of Assets

Save for the amounts disclosed in note 16 to the interim condensed consolidated financial statements and the amounts recorded in the pledged bank deposits and long-term pledged deposits item in the interim condensed consolidated statement of financial position in this interim report, there was no other pledge of assets of the Group.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Management Discussion and Analysis *(continued)*

Human Resources

The Group had approximately 1,328 formal employees in the PRC and Hong Kong as at 30 June 2018 (30 June 2017: 1,215). For the six months ended 30 June 2018, the total staff costs including independent non-executive Directors' fees amounted to approximately RMB54.8 million (corresponding period of 2017: RMB49.3 million).

The Group adheres to the people-oriented principle. With the recruitment of professional personnel at various levels through various channels as well as internal placement and promotion of outstanding staff within the Group, it aims to attract, retain and motivate outstanding employees. A quality and efficient team has been created for improving the Group's management standard and efficiency, so as to ensure that the Group's business goals can be achieved. The Group will regularly adjust its remuneration polices and employee remuneration and benefits package with reference to industry standards and performance of individual employees.

The Group thinks highly of the occupational health and safety of our employees. It also committed to enhancing safety management across its operations. The Group's safety management system helps to identify and mitigate health and safety risks and maintain control all over the operations.

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

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

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

Management Discussion and Analysis *(continued)*

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company issued 391,056,000 new shares at the offer price of HK$1.2 per share. The net proceeds of the public offering received by the Company were RMB371 million after deducting the listing-related expenses.

Planned use of raised fund	Actual use of raised fund RMB million	Actual amount utilized as of 30 June 2018 RMB million	Proceeds remained unused as of 30 June 2018 RMB million	Whether it is in line with the plan previously disclosed
To finance the construction and purchase of property, plant and equipment needed for the implementation of our current expansion plans	167	167	0	Yes
To import quality heifers from Australia and New Zealand, to raise the foundation cows in our newly developed or expanded dairy farms until they reach the time of calving, to breed and raise our reproduced heifers for our newly developed or expanded dairy farms	167	167	0	Yes
To supplement our working capital and other general corporate purposes	37	37	0	Yes
Total	371	371	0	Yes

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 20 November 2015 (the "**Prospectus**"). The net proceeds were utilized in the manner consistent with the proposed allocation as set forth in the Prospectus.

Other Information

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

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

Name of Director	Nature of Interest	Total Number of Shares	Approximate Percentage of Total Issued Share Capital of the Company as at 30 June 2018
Mr. Zhang Jianshe [(1)]	Interest of controlled corporation/ Interest of concert parties	875,068,000(L)	40.25%
Mr. Zhang Kaizhan [(1)]	Interest of controlled corporation/ Interest of concert parties	875,068,000(L)	40.25%
Mr. Liu Dai [(1)]	Interest of controlled corporation/ Interest of concert parties	875,068,000(L)	40.25%

Other Information *(continued)*

Note:

(1) As at 30 June 2018, Mr. Zhang Jianshe was the sole shareholder of YeGu Investment Company Limited ("**YeGu Investment**") which directly held 350,778,000 Shares and indirectly held, through its shareholding in Green Farmlands Group, 315,790,000 Shares. Accordingly, under the SFO, Mr. Zhang Jianshe was deemed to be interested in the 666,568,000 Shares held directly and indirectly by YeGu Investment. In addition, as at 30 June 2018, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding companies (namely SiYuan Investment Company Limited ("**SiYuan Investment**") and Tai Shing Company Limited ("**Tai Shing**")), indirectly held 61,460,000 Shares and 147,040,000 Shares, respectively.

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

As such, as at 30 June 2018, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai, through their respective holding companies, together held 875,068,000 Shares, representing approximately 40.25% of the issued share capital of the Company as of 30 June 2018. Under the SFO, because of the Concert Parties Arrangement, Mr. Zhang Jianshe, Mr. Zhang Kaizhan and Mr. Liu Dai were each deemed to be interested in 40.25% of the issued share capital of the Company as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, so far as was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (as defined in Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

Other Information *(continued)*

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

As at 30 June 2018, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under section 336 of the SFO, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying Shares were as follows:

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

Name of Substantial Shareholder	Nature of Interest	Total Number of Shares	Approximate Percentage of Total Issued Share Capital of the Company as at 30 June 2018
Li Jingtao [(1)]	Interest of spouse	875,068,000(L)	40.25%
YeGu Investment	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Zhang Fanghong [(2)]	Interest of spouse	875,068,000(L)	40.25%
SiYuan Investment	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Yang Shulan [(3)]	Interest of spouse	875,068,000(L)	40.25%
Tai Shing	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
Green Farmlands Group	Beneficial owner/Interest of concert parties	875,068,000(L)	40.25%
New Energy Investment GP Ltd [(4)]	Beneficial owner	315,790,000(L)	14.53%
New Energy Investment Limited Partnership [(4)]	Interest of controlled corporation	315,790,000(L)	14.53%
VTD705HL Hong Kong Ltd. [(4)]	Interest of controlled corporation	315,790,000(L)	14.53%
Shanghai Jingmu Investment Center ("**Shanghai Jingmu**") [(5)]	Interest of controlled corporation	277,760,000 (L)	12.78%

Other Information *(continued)*

Name of Substantial Shareholder	Nature of Interest	Total Number of Shares	Approximate Percentage of Total Issued Share Capital of the Company as at 30 June 2018
Goldstone Agri-Investment Funds Management Center (Limited Partnership) [(5)]	Interest of controlled corporation	277,760,000 (L)	12.78%
Beijing Agriculture Investment Fund (Limited Partnership) ("**Agriculture Investment Fund**") [(5)]	Interest of controlled corporation	277,760,000 (L)	12.78%
Beijing Jianye Fengde Investment Consulting Co., Ltd. [(5)]	Interest of controlled corporation	277,760,000 (L)	12.78%
Agriculture Investment Company Limited ("**Agriculture Investment**") [(5)]	Beneficial owner	172,500,000 (L)	7.93%
CITIC Capital Holdings Limited [(6)]	Interest of controlled corporation	174,100,000 (L)	8.01%

Notes:

(1) Ms. Li Jingtao is the spouse of Mr. Zhang Jianshe and is therefore deemed to be interested in the Shares in which Mr. Zhang Jianshe is interested under the SFO.

(2) Ms. Zhang Fanghong is the spouse of Mr. Zhang Kaizhan and is therefore deemed to be interested in the Shares in which Mr. Zhang Kaizhan is interested under the SFO.

(3) Ms. Yang Shulan is the spouse of Mr. Liu Dai and is therefore deemed to be interested in the Shares in which Mr. Liu Dai is interested under the SFO.

(4) VTD705HL Hong Kong Ltd. is wholly owned by New Energy Investment Limited Partnership and New Energy Investment Limited Partnership is wholly owned by New Energy Investment GP Ltd. Each of New Energy Investment Limited Partnership and New Energy Investment GP Ltd. is deemed to be interested in the same number of Shares in which VTD705HL Hong Kong Ltd. is interested under the SFO.

Other Information *(continued)*

(5) Shanghai Jingmu is the sole shareholder of both Agriculture Investment and Jingmu Investment Company Limited and is therefore deemed to be interested in the same number of Shares held by each of them (being 277,760,000 Shares in total). Agriculture Investment Fund is the limited partner of Shanghai Jingmu holding approximately 75.05% of its registered capital, while Goldstone Agri-Investment Funds Management Center (Limited Partnership) is the general partner of Shanghai Jingmu holding approximately 0.11% of its registered capital. Accordingly, each of Agriculture Investment Fund and Goldstone Agri-Investment Funds Management Center (Limited Partnership) is deemed to be interested in the 277,760,000 Shares held by Agriculture Investment and Jingmu Investment Company Limited in aggregate under the SFO. Furthermore, Beijing Jianye Fengde Investment Consulting Co., Ltd., the general partner of Goldstone Agri-Investment Funds Management Center (Limited Partnership), is also deemed to be interested in the 277,760,000 Shares referenced above under the SFO.

(6) CITIC Capital Holdings Limited held 174,100,000 Shares through a number of wholly-owned subsidiaries.

Save as disclosed above, as at 30 June 2018, the Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

POST-IPO SHARE OPTION SCHEME

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

As at 30 June 2018, no share option has been granted by the Company or remained outstanding under the Post-IPO Share Option Scheme and no relevant expenses were recognized accordingly.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance to protect the interest of the Shareholders and to enhance the confidence of investors for establishing a sound foundation for corporate development. For the six months ended 30 June 2018, save as disclosed below, the Company has complied with the requirements of the code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Cod**e") contained in Appendix 14 to the Listing Rules. Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang Jianshe is the chairman and chief executive officer of the Company. He is also the founder of the Group. The Board believes that vesting the roles of both the chairman and chief executive officer of the Company in Mr. Zhang Jianshe would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plan. Furthermore, in view of Mr. Zhang Jianshe's extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group if Mr. Zhang Jianshe continues to act as both the chairman and chief executive officer of the Company, and the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors and independent non-executive Directors.

Other Information *(continued)*

BOARD OF DIRECTORS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for securities transactions (the "**Company's Securities Dealings Code**") regarding Directors' and Restricted Persons' (as defined in the Company's Securities Dealings Code) dealings in the Company's securities on terms no less exacting than the Model Code.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2018, none of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2018 and up to the date of this interim report, the Group did not have any material events which would need to be brought to the attention of the Stock Exchange or the Shareholders.

Other Information *(continued)*

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising Mr. Joseph Chow (Chairman) and Prof. Li Shengli, independent non-executive Directors, and Ms. Yu Tianhua, non-executive Director, has reviewed the accounting principles and practices adopted by the Group, and has reviewed issues relating to internal control and risk management systems and financial reporting with the management of the Company. The Audit Committee has reviewed the unaudited interim financial statements of the Company for the six months ended 30 June 2018 and this interim report and is of the opinion that the unaudited interim financial statements and this interim report comply with all applicable accounting standards, legal requirements and requirements of the Listing Rules and adequate disclosures have been made.

INVESTOR RELATIONS AND COMMUNICATIONS

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

APPRECIATIONS

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

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

Hong Kong, 30 August 2018

Report on Review of Interim Condensed Consolidated Financial Information

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 26 to 60, which comprise the interim condensed consolidated statement of financial position of China ZhongDi Dairy Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by International Accounting Standards Board (the "**IASB**"). The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Interim Condensed Consolidated Financial Information *(continued)*

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
30 August 2018

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

for the six months ended 30 June

	Notes	2018 Results before biological fair value adjustments Unaudited RMB'000	2018 Biological fair value adjustments Unaudited RMB'000	2018 Total Unaudited RMB'000	2017 Results before biological fair value adjustments Unaudited RMB'000	2017 Biological fair value adjustments Unaudited RMB'000	2017 Total Unaudited RMB'000
Revenue	3	667,283	—	667,283	574,988	—	574,988
Cost of sales	6	(428,739)	(212,810)	(641,549)	(398,265)	(159,904)	(558,169)
Gross profit		238,544	(212,810)	25,734	176,723	(159,904)	16,819
Losses arising from changes in fair value less costs to sell of biological assets		—	(94,960)	(94,960)	—	(113,256)	(113,256)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	212,810	212,810	—	156,123	156,123
Other income	5	17,033	—	17,033	24,128	—	24,128
Other gains and losses	5	3,356	—	3,356	(5,904)	—	(5,904)
Distribution costs		(28,031)	—	(28,031)	(19,278)	—	(19,278)
Administrative expenses		(34,007)	—	(34,007)	(33,308)	—	(33,308)
Other expenses	6	(232)	—	(232)	(264)	—	(264)
Finance costs	7	(55,578)	—	(55,578)	(46,137)	—	(46,137)
PROFIT/(LOSS) BEFORE TAX	6	141,085	(94,960)	46,125	95,960	(117,037)	(21,077)
Income tax expenses	8	—	—	—	—	—	—
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		141,085	(94,960)	46,125	95,960	(117,037)	(21,077)
Profit/(Loss) and total comprehensive income/(loss) attributable to the owners of the parent		141,085	(94,960)	46,125	95,960	(117,037)	(21,077)
Earnings/(Loss) per share attributable to ordinary equity holders of the parent: – Basic and diluted (RMB cents)	10			2.1			(1.0)

Interim Condensed Consolidated Statement of Financial Position

	Notes	as at 30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000 Restated
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,761,359**	1,810,887
Prepayments for non-current assets		**31,400**	26,048
Long-term pledged deposits		**14,994**	14,646
Prepaid land lease payments		**86,737**	87,600
Biological assets	12	**1,644,220**	1,601,330
Total non-current assets		**3,538,710**	3,540,511
CURRENT ASSETS			
Inventories		**209,430**	320,299
Trade and other receivables	13	**193,473**	148,413
Prepaid land lease payments		**28,941**	3,787
Biological assets	12	**880**	780
Pledged bank deposits	14	**28,276**	8,552
Cash and bank balances	14	**445,717**	391,508
Total current assets		**906,717**	873,339
CURRENT LIABILITIES			
Trade and other payables	15	**480,959**	613,230
Contract liabilities		**60,974**	9,229
Interest-bearing bank and other borrowings	16	**1,316,387**	1,087,158
Total current liabilities		**1,858,320**	1,709,617
NET CURRENT LIABILITIES		**(951,603)**	(836,278)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,587,107**	2,704,233

Interim Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	as at 30 June 2018 (unaudited) RMB'000	as at 31 December 2017 (audited) RMB'000 Restated
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	**476,169**	634,084
Deferred income		**26,040**	31,376
Total non-current liabilities		**502,209**	665,460
Net Assets		**2,084,898**	2,038,773
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**135**	135
Share premium and reserves		**2,084,763**	2,038,638
TOTAL EQUITY		**2,084,898**	2,038,773

Zhang Jianshe
Director

Zhang Kaizhan
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 and 2017

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2018	**135**	**1,019,152**	**398,541**	**53,640**	**567,305**	**2,038,773**
Loss and total comprehensive loss for the period	**—**	**—**	**—**	**—**	**46,125**	**46,125**
As at 30 June 2018 (unaudited)	**135**	**1,019,152***	**398,541***	**53,640***	**613,430***	**2,084,898**
As at 1 January 2017	135	1,019,152	398,541	42,800	564,768	2,025,396
Profit and total comprehensive income for the period	—	—	—	—	(21,077)	(21,077)
As at 30 June 2017 (unaudited)	135	1,019,152	398,541	42,800	543,691	2,004,319

* These reserve accounts comprise the consolidated reserves of RMB2,084,763,000 (31 December 2017: RMB2,038,638,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Notes	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
OPERATING ACTIVITIES			
Profit/(Loss) before tax		**46,125**	(21,077)
Adjustments for:			
Losses arising from changes in fair value less costs to sell of biological assets		**94,808**	126,717
Depreciation of items of property, plant and equipment	6	**28,113**	23,605
Recognition of prepaid land lease payments	6	**2,828**	2,661
Government grants for assets	5	**(1,760)**	(1,437)
Finance costs	7	**55,578**	46,137
Interest income	5	**(1,746)**	(4,129)
Loss on disposal of items of property, plant and equipment	5	**8**	—
Foreign exchange differences, net		**(2,224)**	5,743
Operating cash flows before movements in working capital		**221,730**	178,220
Decrease in inventories		**111,316**	66,025
(Increase)/decrease in trade and other receivables and prepayments		**(11,792)**	6,502
(Increase)/decrease in cows held for sale		**(100)**	44,841
(Increase)/decrease in pledged bank deposits		**(19,724)**	8,238
Decrease in trade and other payables and contract liabilities		**(25,744)**	(192,540)
Cash generated from operations		**275,686**	111,286
Interest received		**3,837**	2,986
Net cash flows from operating activities		**279,523**	114,272

Interim Condensed Consolidated Statement of Cash Flows *(continued)*

For the six months ended 30 June

	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Net cash flows from operating activities	**279,523**	114,272
INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	**(123,561)**	(191,176)
Additions to biological assets	**(171,183)**	(203,048)
Additions to prepaid land lease payments	**(15,258)**	(28,303)
Proceeds from disposal of biological assets	**62,545**	32,297
Prepayment for acquisition of non-current assets	**—**	(10,000)
Receipt of government grants for assets	**170**	915
Net cash flows used in investing activities	**(247,287)**	(399,315)
FINANCING ACTIVITIES		
New borrowings raised	**784,540**	691,764
Repayment of borrowings	**(713,226)**	(486,226)
Interest and guarantee fees paid	**(49,814)**	(39,064)
Pledged deposits placed for other borrowings	**(1,754)**	(8,001)
Net cash flows from financing activities	**19,746**	158,473
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**51,982**	(126,570)
Cash and cash equivalents at beginning of the period	**240,568**	267,953
Effect of foreign exchange rate changes, net	**325**	(1,393)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**292,875**	139,990
Represented by cash and bank balances:		
Cash and bank balances as stated in the interim condensed statement of financial position	**445,717**	296,479
Less: Time deposits with original maturity of more than three months	**(152,842)**	(156,489)
	292,875	139,990

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 2 December 2015. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The principal activity of the Company is investment holding. The Group is mainly engaged in operations of dairy farms to produce raw milk and importing and selling cows in the mainland of the People's Republic of China (the "**PRC**").

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

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

Going concern

The Group had net current liabilities of RMB951,603,000 as at 30 June 2018. In view of the net current liabilities position, the board of directors (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking facilities available as at 30 June 2018 and the cash flow projections for the twelve-month period ending 30 June 2019, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail or defer its expansion plans based on the availability of sufficient funds. Accordingly, the Directors have prepared the interim condensed consolidated financial statements on a going concern basis.

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 (the "**Reporting Period**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and IAS 34 *Interim Financial Reporting* issued by the IASB.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

New standards and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

IFRS 15 Revenue from Contracts with Customers *(continued)*

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of adopting IFRS 15 is as follows:

Impact on the statements of financial position (increase/(decrease)) as at 31 December 2017:

	Adjustments	RMB'000
Liabilities		
Trade and other payables	(b)	(9,229)
Contract liabilities (current)	(b)	9,229
Total current liabilities		—

There is no material impact on the statement of profit or loss and other comprehensive income, statement of changes in equity and basic and diluted EPS for the six months ended 30 June 2017.

The Group's principal activities consist of operations of dairy farms to produce and sell raw milk and importing and selling cows and other related goods.

(a) Sale of goods

The Group's contracts with customers for the sales of goods generally include one performance obligation. The Group has concluded that revenue from sales of goods should be recognised at the point in time when control of the goods is transferred to the customer, generally on receipt of the goods by customers. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

IFRS 15 Revenue from Contracts with Customers (continued)

(b) Advances received from customers and agency customers

Generally, the Group receives advances from its customers. Prior to the adoption of IFRS 15, the Group presented these advances as trade and other payables in the statement of financial position. The statement of financial position as at 31 December 2017 was restated resulting in recognition of contract liabilities amounting to RMB9,229,000 and decreases in Trade and other payables amounting to RMB9,229,000, respectively.

(c) Presentation and disclosure requirements

As required for the interim condensed financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 3 for the disclosure on disaggregated revenue.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and there is no material impact on the statement of profit or loss and other comprehensive income for the six months ended 30 June 2017, statement of financial position as at 31 December 2017, statement of changes in equity, statement of cash flows or basic and diluted earnings per shares for the six months ended 30 June 2017.

The impacts relate to the classification and measurement, the impairment requirements and hedge accounting are summarised as follows:

(a) Classification and measurement

The adoption of IFRS9 does not have a significant impact on the classification and measurement of financial instruments of the Group.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

IFRS 9 Financial Instruments *(continued)*

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets if any, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted does not have any material impact on impairment allowances of the Group's debt financial assets.

(c) Hedge accounting

Since the Group has not involved in hedging activities, there has been no significant impact in this regard upon adoption of IFRS 9.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

IFRIC interpretation 22 Foreign Currency Transactions and Advance Considerations

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Since the Group has no share-based payments transaction, these amendments do not have any impact on the Group's consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

3. REVENUE

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

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the six months ended 30 June 2018 Unaudited		
Segments	**Dairy farming business**	**Import trading business**	**Total**
Types of goods or services	**RMB'000**	**RMB'000**	**RMB'000**
Sale of goods	667,283	—	667,283
Rendering of agency services	—	—	—
Total revenue from contracts with customers	667,283	—	667,283

	For the six months ended 30 June 2017 Unaudited		
Segments	**Dairy farming business**	**Import trading business**	**Total**
Types of goods or services	**RMB'000**	**RMB'000**	**RMB'000**
Sale of goods	474,622	—	474,622
Rendering of agency services	—	100,366	100,366
Total revenue from contracts with customers	474,622	100,366	574,988

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

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

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

Segment results exclude fair value adjustments of biological assets and agricultural produce held by the Group at the end of each reporting period, finance costs and head office and corporate expenses.

Segment assets exclude fair value adjustments of biological assets and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2018 (unaudited)	Dairy farming business RMB'000	Import trading business RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	667,283	—	667,283
Intersegment sales	—	11,544	11,544
	667,283	11,544	678,827
Reconciliation:			
Elimination of intersegment sales			(11,544)
Revenue			667,283
Segment results	118,950	1,574	120,524
Reconciliation:			
Fair value adjustments of biological assets			(3,128)
Elimination of intersegment results			(872)
Finance costs			(55,578)
Corporate and other unallocated expenses			(14,821)
Profit before tax			46,125
As at 30 June 2018 (unaudited)			
Segment assets	4,305,896	372,419	4,678,315
Reconciliation:			
Elimination of intersegment receivables	(470,830)	(57,297)	(528,127)
	3,835,066	315,122	4,150,188
Fair value adjustments of biological assets			217,272
Corporate and other unallocated assets			77,967
Total assets			4,445,427
Segment liabilities	638,294	465,241	1,103,535
Reconciliation:			
Elimination of intersegment payables	(137,351)	(401,327)	(538,678)
	500,943	63,914	564,857
Borrowings			1,792,556
Corporate and other unallocated liabilities			3,116
Total liabilities			2,360,529

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2017 (unaudited)	Dairy farming business RMB'000	Import trading business RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	474,622	100,366	574,988
Intersegment sales	—	34,934	34,934
	474,622	135,300	609,922
Reconciliation:			
Elimination of intersegment sales			(34,934)
Revenue			574,988
Segment results	87,841	3,028	90,869
Reconciliation:			
Fair value adjustments of biological assets			(44,438)
Elimination of intersegment results			(2,554)
Finance costs			(46,137)
Corporate and other unallocated expenses			(18,817)
Loss before tax			(21,077)
As at 31 December 2017 (audited)			
Segment assets	4,386,382	275,224	4,661,606
Reconciliation:			
Elimination of intersegment receivables	(517,585)	(41,486)	(559,071)
	3,868,797	233,738	4,102,535
Fair value adjustments of biological assets			220,394
Corporate and other unallocated assets			90,921
Total assets			4,413,850
Segment liabilities	689,615	498,667	1,188,282
Reconciliation:			
Elimination of intersegment payables	(59,470)	(480,713)	(540,183)
	630,145	17,954	648,099
Borrowings			1,721,242
Corporate and other unallocated liabilities			5,736
Total liabilities			2,375,077

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

5. OTHER INCOME AND OTHER GAINS AND LOSSES

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

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Other income		
Government grants related to		
– Assets other than biological assets	**1,760**	1,437
– Income	**13,376**	17,990
	15,136	19,427
Interest income	**1,746**	4,129
Others	**151**	572
	17,033	24,128
Other gains and losses		
– Loss on disposal of items of property, plant and equipment	**(8)**	—
– Exchange gain/(loss), net	**2,224**	(5,743)
– Others	**1,140**	(161)
	3,356	(5,904)

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Cost of sales		
Feeds and other related costs for raw milk production	**428,739**	301,774
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	**212,810**	156,123
Cost of sales of raw milk	**641,549**	457,897
Purchase, feeds and other related costs for cows held for sale	**—**	96,491
Gains arising from changes in fair value less costs to sell of biological assets	**—**	3,781
Cost of sales of cows held for sale	**—**	100,272
	641,549	558,169
Other expenses		
Bank charges	**228**	257
Others	**4**	7
	232	264
Staff costs (including the Directors' emoluments)		
Salaries, bonuses and allowances	**50,210**	46,803
Contributions to retirement benefit scheme	**4,612**	2,476
Total employee benefits	**54,822**	49,279
Less: Capitalised in biological assets	**(13,886)**	(16,226)
Employee benefits charged directly in profit or loss	**40,936**	33,053

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

6. PROFIT/(LOSS) BEFORE TAX *(continued)*

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation and recognition of lease expenses		
Depreciation of property, plant and equipment	**53,936**	52,645
Less: Capitalised in biological assets	**(25,823)**	(29,040)
Depreciation charged to profit or loss	**28,113**	23,605
Recognition of prepaid land lease payments	**28,331**	24,215
Less: Capitalised in inventories	**(25,503)**	(21,554)
Prepaid land lease payments charged directly to profit or loss	**2,828**	2,661
Office rental expenses	**145**	1,639

7. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on borrowings	**55,578**	46,137
Less: Interest capitalised	**—**	—
	55,578	46,137

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

8. INCOME TAX EXPENSES

The income tax expenses for the six months ended 30 June 2018 can be reconciled to the loss before tax per the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit/(Loss) before tax	**46,125**	(21,077)
Tax at corporate income tax rate at 25%	**11,531**	(5,269)
Effect of items that are not deductible in determining taxable profit	**24,045**	29,387
Effect of losses incurred for agricultural business	**5,052**	1,461
Tax losses not recognised	**5,409**	5,336
Effect of tax exemption granted to agricultural operations	**(46,037)**	(30,915)
Income tax expenses	**—**	—

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

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings/(Loss)		
Earnings/(Loss) used in the calculation of basic and diluted earnings/(loss) per share	**46,125**	(21,077)

	Number of shares	
	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the Reporting Period used in the basic and diluted earnings/(loss) per share calculation	**2,174,078**	2,174,078

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

11. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
COST		
Balance at beginning of the period	**2,076,747**	1,919,050
Additions	**4,703**	45,493
Disposals	**(488)**	(18)
Balance at end of the period	**2,080,962**	1,964,525
ACCUMULATED DEPRECIATION		
Balance at beginning of the period	**265,860**	159,019
Charge for the period	**53,936**	52,645
Disposals	**(193)**	(17)
Balance at end of the period	**319,603**	211,647
CARRYING AMOUNT	**1,761,359**	1,752,878

As at 30 June 2018, certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB331,132,000 (31 December 2017: RMB347,151,000) were pledged to secure interest-bearing bank and other borrowings to the Group (note 16).

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

12. BIOLOGICAL ASSETS

During the six months ended 30 June 2018, the biological assets of the Group are dairy cows held to produce raw milk (i.e. milkable cows, heifers and calves) and cows held for sale. Dairy cows held to produce raw milk are categorised as bearer biological assets and cows held for sale are categorised as consumable biological assets.

(A) Quantity of biological assets

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

	30 June 2018 (unaudited) Heads	31 December 2017 (audited) Heads
Cows held for sale	**62**	52
Milkable cows	**36,254**	33,797
Heifers and calves	**29,587**	30,403
	65,903	64,252

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

12. BIOLOGICAL ASSETS *(continued)*

(B) Value of biological assets

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Cows held for sale	**880**	780
Milkable cows	**1,107,980**	1,074,440
Heifers and calves	**536,240**	526,890
Total value of cows	**1,645,100**	1,602,110
Current portion	**880**	780
Non-current portion	**1,644,220**	1,601,330
	1,645,100	1,602,110

The fair value of the Group's dairy cows as at 30 June 2018 was estimated by using the same valuation techniques as adopted in note 16 to the Group's annual consolidated financial statements for the year ended 31 December 2017. As the fair value was determined using significant unobservable inputs, it falls in level 3 of fair value hierarchy.

The carrying amount of cows pledged for interest-bearing bank and other borrowings at the end of the reporting period are as follows (note 16):

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Bank loans	**73,500**	73,500
Other borrowings	**586,989**	586,989
	660,489	660,489

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

13. TRADE AND OTHER RECEIVABLES

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Trade receivables:		
– 0 to 30 days	**58,483**	18,093
– 31 to 90 days	**59,307**	89,297
– Over 91 days	**—**	—
	117,790	107,390
Other receivables:		
– Advances to suppliers	**48,499**	20,277
– Others	**27,184**	20,746
	75,683	41,023
	193,473	148,413

As at 30 June 2018, the Group pledged certain of its trade receivables with an aggregate carrying amount of RMB8,083,000 (2017: 8,387,000) to a third party to secure certain of the Group's borrowings (note 16).

As at 30 June 2018, the Group has entered into factoring agreements with certain financial institutions as to secure interest-bearing bank and other borrowings. Since the Group has retained the substantial risks and rewards relating to such trade receivables, it continued to recognise the full carrying amounts of trade receivables. Trade receivables under such factoring agreements amounted to RMB47,182,000 as at 30 June 2018 (Nil as at 31 December 2017).

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

14. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	30 June 2018 **(unaudited)** **RMB'000**	31 December 2017 (audited) RMB'000
Cash and cash equivalents	**292,875**	240,568
Time deposits with original maturity of more than three months	**152,842**	150,940
Cash and bank balances	**445,717**	391,508
Pledged bank deposits	**28,276**	8,552
	473,993	400,060

Pledged bank deposits and cash and bank balances were denominated in RMB, United States Dollars ("USD") and Hong Kong Dollars ("HKD") as at 30 June 2018. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

	30 June 2018 **(unaudited)** **RMB'000**	31 December 2017 (audited) RMB'000
RMB	**286,288**	210,616
USD	**187,466**	187,024
HKD	**239**	2,420
	473,993	400,060

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

15. TRADE AND OTHER PAYABLES

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Trade payables:		
– 0 to 90 days	**187,860**	328,845
– 91 to 180 days	**74,685**	69,126
– Over 181 days	**89,489**	21,015
	352,034	418,986
Payable for acquisition of items of property, plant and equipment	**63,703**	160,208
Accrued staff costs	**10,897**	15,611
Land lease payables	**40,688**	3,324
Interest payables	**2,247**	2,754
Deposits	**7,266**	7,812
Others	**4,124**	4,535
	128,925	194,244
	480,959	613,230

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2018 (unaudited) RMB'000**	31 December 2017 (audited) RMB'000
Unsecured bank borrowings		**692,500**	971,469
Guaranteed and unsecured bank borrowings	(i.a)	**290,000**	—
Secured bank borrowings	(i.b)	**56,000**	62,000
Secured other borrowings	(i.c)	**377,048**	433,449
Guaranteed and secured bank borrowings	(i.d)	**278,190**	200,000
Guaranteed and secured other borrowings	(i.e)	**98,818**	54,324
		1,792,556	1,721,242
Bank and other borrowings repayable:			
Within one year		**1,316,387**	1,087,158
Between one and two years		**244,337**	295,182
Between two and five years		**164,116**	252,924
Over five years		**67,716**	85,978
		1,792,556	1,721,242
Bank and other borrowings comprise:			
Fixed-rate bank and other borrowings		**678,190**	571,470
Variable-rate bank borrowings		**1,114,366**	1,149,772
		1,792,556	1,721,242

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

16. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(i) (a) As at 30 June 2018, a bank loan of RMB290,000,000 (31 December 2017: Nil) were guaranteed by Mr. Zhang Jianshe and Mrs. Li Jingtao;

(b) As at 30 June 2018, bank borrowings of RMB56,000,000 (31 December 2017: RMB62,000,000) were secured by prepaid land lease payments of RMB7,441,000 (31 December 2017: RMB7,622,000) and dairy cows of RMB73,500,000 (31 December 2017: RMB73,500,000);

(c) As at 30 June 2018, other borrowings of RMB377,048,000 (31 December 2017: RMB433,449,000) were secured by dairy cows of RMB586,989,000 (31 December 2017: RMB586,989,000), trade receivables of the Group with an aggregate carrying amount of RMB8,083,000 (31 December 2017: RMB8,387,000) and certain of the Group's long-term pledged deposits amounting to approximately of RMB11,000,000 (31 December 2017: RMB11,000,000) with present value of RMB10,179,000 (31 December 2017: RMB9,942,000);

(d) As at 30 June 2018, bank borrowings of RMB200,000,000 (31 December 2017: RMB200,000,000) were guaranteed by China United SME Guarantee Corporation Company, an independent third party and secured by property, plant and equipment of the Group with an aggregate carrying amount of RMB187,785,000 (31 December 2017: RMB199,882,000); bank borrowings of RMB78,190,000 (31 December 2017: Nil) were guaranteed by Mr. Zhang Jianshe and Mrs. Li Jingtao, and secured by trade receivables with carrying amount of RMB47,182,000 under factoring agreements; and

(e) As at 30 June 2018, other borrowings of RMB98,818,000 (31 December 2017: RMB54,324,000) was secured by property, plant and equipment of the Group with an aggregate carrying amount of RMB143,347,000 (31 December 2017: RMB147,269,000), prepayment for non-current assets of the Group of RMB2,603,000 (31 December 2017: RMB2,603,000) and certain of the Group's long-term pledged deposits amounting to approximately RMB5,400,000 (31 December 2017: RMB5,400,000), with present value of RMB4,815,000 (31 December 2017: RMB4,704,000), and guaranteed by Mr. Zhang Jianshe.

(ii) As at 30 June 2018, the contracted interest rates of the above bank and other borrowings ranged from 4.05% to 8.50% (31 December 2017: 4.05% - 8.50%).

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
EUR	—	11,470
RMB	**1,792,556**	1,709,772
	1,792,556	1,721,242

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

17. SHARE CAPITAL

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Authorised:		
5,000,000,000 ordinary shares of USD0.00001 each	**306**	306
Issued and fully paid		
2,174,078,000 (31 December 2017: 2,174,078,000) ordinary shares of USD0.00001 each	**135**	135

18. CAPITAL COMMITMENTS

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Contracted but not provided for:		
Plant and machinery	**—**	1,446

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

19. RELATED PARTY DISCLOSURES

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

	Notes	For the six months ended 30 June **2018 (unaudited) RMB'000**	2017 (unaudited) RMB'000
Lease prepayments made to:			
– Ulanqab ZhongDi Farming Co., Ltd. ("**Ulanqab ZhongDi**")	(i) (ii)	**—**	772
Rental charges by:			
– ZhongDi Genetics & Seeds Co., Ltd. ("**ZhongDi Seeds**")	(i)	**145**	1,639

Notes:

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

(ii) Ulanqab ZhongDi was previously named "ZhongDi Grass (Ulanqab) Co., Ltd." On 31 July 2017, the Group acquired an 100% equity interest in Ulanqab ZhongDi from ZhongDi Seeds. As such, Ulanqab ZhongDi ceased to be a connected party or related party of the Group. Accordingly, the transaction amounts and balances between the Group and Ulanqab ZhongDi are no longer disclosed as connected transactions or related party transactions since the acquisition.

(b) Guaranties provided by related parties

	Note	**30 June 2018 (unaudited) RMB'000**	31 December 2017 (audited) RMB'000
Mr. Zhang Jianshe	(i)	**467,008**	54,324

Note:

(i) As at 30 June 2018, the Group's bank loans amounting to RMB467,008,000 (31 December 2017: RMB54,324,000) was guaranteed by Mr. Zhang Jianshe and secured by certain property, plant and equipment as disclosed elsewhere in the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

19. RELATED PARTY DISCLOSURES *(continued)*

(c) Operating lease commitments

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Within one year	**6,599**	3,278
In the second to fifth years, inclusive	**13,198**	—
	19,797	3,278

(d) Compensation to key management personnel

	For the six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Salaries, bonuses and other benefits	**3,641**	3,789
Retirement benefit scheme contributions	**47**	37
	3,688	3,826

(e) Balances with related parties:

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Prepayment for office rental to:		
– ZhongDi Seeds	**2,707**	—

The above prepayments are unsecured, interest-free and repayable on demand.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	30 June 2018		31 December 2017	
	Carrying amounts (unaudited) RMB'000	**Fair values (unaudited) RMB'000**	Carrying amounts (audited) RMB'000	Fair values (audited) RMB'000
Interest-bearing bank and other borrowings	**1,792,556**	**1,839,505**	1,721,242	1,775,640

Management has assessed that the fair values of cash and bank balances, pledged bank deposits, financial assets included in trade and other receivables, financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of long term pledged deposits is calculated by discounting the expected future cash flows using the prevailing market interest rate for instruments with similar terms, credit risk and remaining maturities and therefore approximates fair value.

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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

Liabilities for which fair values are disclosed:

	Fair value measurement using significant unobservable inputs (Level 3)	
	30 June 2018	31 December 2017
	(unaudited)	(audited)
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**1,839,505**	1,775,640

21. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2018.