MODERN FARMING
现代牧业

China Modern Dairy Holdings Ltd.
中國現代牧業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1117)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

- **Strong Growth in Financial Performance:** For the six months ended 30 June 2020, the total revenue of the Group reached RMB2,828 million, representing a year-on-year ("**yoy**") increase of 10%. Cash EBITDA recorded RMB987 million, a yoy increase of 14%. The profit attributable to owners of the Company reached RBM221 million, a yoy increase of 77%. Excluding the one-off gains in the two corresponding periods, the profit increased substantially by 492% compared to the same period in 2019;

- **Significant Increase in Free Cash Flow:** The cash flow position of the Group was strong, with free cash flow increased significantly to RMB632 million, representing a yoy growth of 80%;

- **Unit Yield of Milkable Cows Reaching Another Peak:** The major operating indicators of the Group have all exceeded targets. The annualized unit yield of milkable cows for the Reporting Period reached 11.2 tons (2019:10.6 tons), representing a yoy growth of 6% and reaching another peak. The total milk production during the Reporting Period hit 750 thousand tons (2019: 680 thousand tons), representing a yoy growth of 10%. As at 30 June 2020, the Company owned 235,877 head of dairy cows and achieved a yoy increase of 4% or 9,000 head of dairy cows, in line with the Group's overall herd expansion strategies;

- **Significant Decrease in Debt Scale:** The Company has implemented the strategy of reducing debts in an orderly manner and has achieved remarkable results. The debt-to-asset ratio dropped from nearly 60% at the end of 2018 to 51% as of 30 June 2020;

* *For identification purposes only*

- **Branded Milk Won Gold Awards for Seven Consecutive Times:** Modern Dairy's pure milk was awarded the Gold Prize of Monde Selection for the seventh consecutive year; The brand of Modern Dairy has been shortlisted as the "Strategic Partner of China's Aerospace Industry", symbolizing that our premium quality branded milk was widely recognized by all sectors of the society.

FOR THE SIX MONTHS ENDED 30 JUNE

(All amounts in Renminbi ("RMB") million unless otherwise stated)	**2020 (unaudited)**	2019 (unaudited)	Change
Revenue	**2,827.8**	2,570.1	+10.0%
Gross profit before raw milk fair value adjustments	**1,052.0**	898.1	+17.1%
Cash EBITDA *(Note 1)*	**986.9**	865.4	+14.0%
Profit attributable to owners of the Company	**220.7**	124.9	+76.7%
Net operating cash inflow	**1,055.2**	855.6	+23.3%
Free cash flow *(Note 2)*	**631.8**	351.1	+79.9%
Basic earnings per share *(RMB cents)*	**3.47**	2.05	+69.3%
Net asset value per share *(RMB) (Note 3)*	**1.14**	1.07	+6.5%
Annualized milk yield of milkable cow *(tons/heads)*	**11.2**	10.6	+5.7%
Period milk yield *(tons '0,000)*	**75**	68	+10.3%
Herd scale *(heads)*	**235,877**	226,861	+4.0%

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

Notes:

1. Cash EBITDA is defined as earnings before finance costs and tax having added back: i) depreciation for property, plant and equipment and right-of-use assets charged to profit or loss; ii) other gains and losses, net; iii) impairment losses under the expected credit loss model, net of reversal; and iv) loss arising from changes in fair value less costs to sell of dairy cows.

2. Free cash flow is defined as net cash from operating activities having added net cash used in investing activities.

3. Equity attributable to owners of the Company at the period end divided by the number of ordinary shares in issue at the end of the reporting periods, defined as the six months ended 30 June 2020 and the six months ended 30 June 2019.

The board (the "**Board**") of directors (the "**Directors**") of China Modern Dairy Holdings Ltd. (the "**Company**"/"**Modern Dairy**") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2019. The interim results have been reviewed by the audit committee of the Company (the "**Audit Committee**") and the Group's auditor Deloitte Touche Tohmatsu.

BUSINESS REVIEW

INDUSTRY OVERVIEW

In the first half of 2020, despite facing the severe challenges imposed by the outbreak of the coronavirus disease 2019 (COVID-19) (the "**Pandemic Outbreak**") and the complex and ever-changing international geopolitics, the People's Republic of China (the "**PRC**") has forged ahead by overcoming the Pandemic Outbreak, with the resumption of work and production basically completed by mid-2020 and social activities returning to normal state. According to the statistics released by the National Bureau of Statistics, the gross domestic product ("**GDP**") in the first half of the year fell slightly by 1.6% year-on-year ("**yoy**"). In terms of quarters, the first quarter fell by 6.8% yoy, while the second quarter increased by 3.2% yoy. In the first half of the year, national economy recovered after the recession. Economic growth turned from negative to positive with the main indicators witnessing a restorative growth in the second quarter. The economic operation recovered steadily, the basic livelihood was firmly protected and the overall social development stabilized with the generally positive market expectation.

In terms of dairy industry, due to the Pandemic Outbreak, the concept of healthy consumption is gradually becoming more prominent among the general public. With the steady progress of resumption of work and production, the milk consumption in the PRC has exhibited a growth momentum, driving the milk prices to bottom out. Although tariffs for alfalfa, an important imported feed for dairy farming, was not imposed even under the Sino-US trade war, domestic feed prices, such as corn and soybean meal, have shown an upward trend yoy. As such, despite facing the complex and volatile domestic and international economic environment, the sales of major dairy companies recovered to more than 90%. Statistics from the National Bureau of Statistics showed that the production volume of raw milk recorded a 7.9% yoy increase. Against the background of increasingly healthy consumption mindsets, higher consumption levels, and expansion of the domestic demand cycle, it is foreseeable that the quality requirements and demand for dairy products will improve simultaneously.

Over the recent years, the dairy industry has been devoted to low temperature production and providing high-end products. Large-scale farms have become a main source of production for current commodity raw milk in the PRC. With the increasing threshold of domestic large-scale farming industry, the traditional backyard farming and small- and medium-sized dairy farming have lost their competitive edges. In the future, the increasing demand for raw milk will be met by the increase in production of large-scale farms, and the linkage between upstream and downstream dairy enterprises will be further strengthened.

BUSINESS REVIEW

For the six months ended 30 June 2020 (the "**Reporting Period**"), the Group was mainly engaged in dairy farming operations (producing and selling raw milk for customers and processing it into dairy products) and developing its self-branded liquid milk products through association with China Mengniu Dairy Company Limited ("**Mengniu**"). The Group is committed to concentrating its resources on the upstream dairy farming business, targeting clients' demand for high-quality raw milk, providing raw milk for diversified and high-quality products.

During the Reporting Period, the Group has strived for excellence and achieved profit before tax of approximately RMB226.6 million (2019: RMB133.9 million), representing a growth of 69.2% yoy and net free cash inflow of RMB631.8 million (2019: RMB351.1 million), representing a growth of 79.9% yoy, by increasing unit production, reducing costs, increasing operational efficiency and conducting appropriate herd expansion.

OPERATIONAL PERFORMANCE

For the Reporting Period, the performance of the major operating targets of the Group exceeded our expectation. The external average selling price ("**ASP**") of raw milk stood at RMB3.87/kg (2019: RMB3.85/kg), representing a growth of 0.5% yoy. During the Reporting Period, the annualized milk yield per head of milkable cow ("**AMY**") increased by 5.7% yoy to 11.2 tons (2019: 10.6 tons). With the uplift of raw milk production and the increase in the number of milkable cows, the total milk production during the Reporting Period hit 750 thousand tons (2019: 680 thousand tons), representing a growth of 10.3% yoy. The Group has achieved sales of raw milk up to RMB2,827.8 million (2019: RMB2,570.1 million), representing a yoy growth of 10.0%. Benefiting from an increase in AMY and total milk production, and effective cost control, the gross profit (before raw milk fair value adjustments) of the dairy farming business stood at RMB1,052.0 million (2019: RMB898.1 million) with a gross profit margin of 37.2% (2019: 34.9%) during the Reporting Period.

During the Reporting Period, the Group successfully kept the unit cost (excluding depreciation of property, plant and equipment) of raw milk at RMB2.27/kg (2019: RMB2.31/kg), representing a yoy decrease of 1.7%. This was achieved by continuous boosting of the health of cows, optimization in the formula of feed mix, increase in the usage of silage, enhancement in the absorbance conversion rate of dairy cows and the usage of the unified procurement platforms and other measures. Out of which, the direct feed cost decreased to RMB1.75/kg during the Reporting Period from RMB1.78/kg for the same period of last year, representing a decrease of 1.7% yoy.

MINIMAL IMPACT FROM COVID-19

During the Pandemic Outbreak, the Group stringently adopted various response measures to prevent the possible impact of the Pandemic Outbreak. Since the Pandemic Outbreak, except for a mild impact inflicted on transportation and logistics during the early stage thereof, the overall operation of the Group's farms has remained normal and production and sales volume of raw milk have been stable, and neither of the Group's cows nor employees have been substantially affected. During the Reporting Period, the Company's management adjusted operation strategies in time and allocated resources flexibly when facing external uncertainties. While increasing AMY, reducing operating costs, improving efficiency and conducting appropriate herd expansion, we were able to enhance the quality of our raw milk. The Group will continue to adhere to the fundamental principles of safe and quality production, provide each of its dairy cows with the best living environment, use the most natural scientific breeding methods and feeding techniques to allow our dairy cows to produce the highest quality pasture milk, and give back to consumers.

DAIRY FARMS

Leveraging on the world's first model of "integration of forage planting, cow breeding and milk processing", Modern Dairy is currently the largest leading dairy farming company and the largest producer of raw fresh milk in the PRC in terms of the herd scale and volume of annual production. As a nationwide farm, we are endowed with unique geographical advantages that our farms are mostly located at regions with fine climate and ample supply of feed, and are adjacent to processing plants of dairy products to ensure that the routing from milking to processing could be completed in the shortest time.

The Group has renovated the cowshed equipment and improved the ventilation system; adjusted the feeding formula and increased the frequency of feeding, enhanced the dryness level of the bedding materials through drying technique and improved the bedding comfortability; increased the frequency of sink cleaning to ensure healthy drinking water with the aim of continuously improving the comfortability for milkable cows so as to raise the milk production,

Each farm is equipped with modern cowshed equipment, logistics systems, environmental protection facilities, 24/7 monitoring system, and veterinarians stationed in farms to make sure that each cow is habitating in a comfortable environment, producing high quality and healthy raw milk.

Herd Scale

	30 June 2020 *Heads*	30 June 2019 *Heads*
Dairy cows		
Milkable cows	**134,533**	131,658
Heifers and calves	**101,344**	95,203
Total	**235,877**	226,861

The Group currently operates a total of 26 dairy farms (each with a herd size close to or over 10,000 dairy cows) across seven provinces in the PRC. The breeds of milkable cows are Holstein dairy cows or their offspring, with good physical health and high milk yield. The Group adheres to the strategy of appropriate herd expansion. On the basis of not increasing the major ranch facilities of existing farms, the Group increases the size of the herd by maximising the utilization rate of existing ranch. Besides, we continue to improve the genetics of dairy cows so as to increase the proportion of the core herd and achieve a steady growth in production.

During the Reporting Period, our herd size grew orderly by approximately 4.0% yoy to 235,877 head of dairy cows (2019: 226,861 heads), in line with the Group's overall herd expansion strategies.

Milk Yield

Milk yield of milkable cow is affected by a number of factors, such as the number of the cow's lactation, breed, comfort level, health condition, genetics and feed mix. Under an effective herd management, we recorded AMY of 11.2 tons per milkable cow during the Reporting Period (2019: 10.6 tons), representing a growth of 5.7% yoy. The total milk yield grew by 10.3% yoy to 750 thousand tons (2019: 680 thousand tons).

Environmental Protection and Epidemic Prevention

The Group strictly complies with relevant laws and regulations for epidemic prevention management, conducts health rating management for dairy cows, cautiously monitors the environment of farms, refines the management of entry and exit of farms, provides epidemic prevention and protection in production area, and establishes quarantine and health check plans for dairy cows and adopts rigorous epidemic prevention measures in our farms, so as to ensure the health of each cow.

Based on resource recycling and implementation of high-standard environmental protection policies, the Group has built a green recycling industrial chain of "forage planting – cow breeding – fertilizer treatment – biogas power generation – fertilizer back to the field". Each farm is equipped with large-scale biogas power generation facilities and comprehensive utilization facilities for biogas fertilizer, which absorbs, digests and indiscriminately treats the manure. The Group expects, through the cooperation with CITIC Environment Investment Group Co., Ltd. ("**CITIC Environment**"), it could further enhance its industrial efficiency and expand the scale of green production for sustainable development.

On 31 December 2019, Modern Farming (Group) Co., Ltd, ("**Modern Farming**" a subsidiary of the Company), entered into two share transfer agreements with Jiangyin Dairy Energy Environment Technology Co., Ltd (the "**JV Company**") in relation to the disposal of Modern Energy (Wuhe) Co., Ltd.* (現代能源(五河)有限公司) and Modern Energy (Hefei) Co., Ltd.* (現代能源(合肥)有限公司), both of which were then indirectly non wholly-owned subsidiaries of the Company holding energy assets of Bengbu and Feidong farms, at an aggregate consideration of RMB148,124,000. The JV Company is held as to 30% by Modern Farming and 70% by the group company of CITIC Environment. The disposal was completed in January 2020.

The Company plans to discuss further cooperation with CITIC Environment to expand and optimize the Company's green recycling industry and improve the efficiency of related energy assets.

ASSOCIATE FACTORIES

Benefiting from the reform in marketing models, the branded milk business through the operation of associate factories with Mengniu continued to record profits. Leveraging on Mengniu's mature market strategy and channel advantages, the "Modern Farming" branded milk was relaunched on the market with the positioning of "15 years of persistence in exclusively producing pasture milk". Despite of the effect of the Pandemic Outbreak in the first quarter, all sales personnel of the Modern Farming branded milk had resumed to work by the end of March 2020. During the Reporting Period, the revenue from the associate factories increased by 10% yoy to RMB422 million. The Company recorded a share of profits of RMB12.33 million (2019: RMB12.28 million) from the associate factories. The Pandemic Outbreak has prompted consumers' willingness in choosing more secured and better-quality milk for daily consumption. Relying on Mengniu's successful marketing strategy, rebranding of "Modern Farming", and adopting differentiated market strategies, it focuses on the blue ocean market in domestic third- and fourth-tier cities. The associate factories are expected to keep contributing to the Group's financial performance.

AWARDS AND RECOGNITIONS

- The Company is the first and only company in China that passed the "Quality Milk Project" for both its pasteurized milk and UHT milk. During the Reporting Period, the pure milk of the Group was awarded the Gold Prize for the seventh time in consecutive years in the Monde Selection 2020. Another product of the Group, the high-calcium milk, has won the gold award for the first time. In the first half of 2020, the sales of high-calcium milk increased by 119% yoy.

FINANCIAL OVERVIEW

Total Revenue

The Company focuses on upstream business, through the operation of 26 dairy farms in the PRC, to produce and sell fresh raw milk to customers for processing into various types of dairy products.

During the Reporting Period, the Group recorded total revenue of RMB2,827.8 million (2019: RMB2,570.1 million), representing an increase of approximately 10.0% yoy.

	Six months ended 30 June					
	2020			2019		
Dairy Farming Business	**Sales revenue** *RMB'000*	**Sales volume** *tons*	**ASP** *RMB/kg*	Sales revenue *RMB'000*	Sales volume *tons*	ASP *RMB/kg*
Sales of raw milk	**2,827,752**	**730,026**	**3.87**	2,570,133	667,651	3.85

The increase in revenue was primarily due to the increase in volume of sales of raw milk and ASP of raw milk. ASP of raw milk grew by 0.5% yoy to RMB3.87/kg during the Reporting Period (2019: RMB3.85/kg).

COST OF SALES BEFORE RAW MILK FAIR VALUE ADJUSTMENT

The Group's cost of sales before raw milk fair value adjustment primarily consisted of dairy farming cost for the Reporting Period as shown below:

Dairy Farming Business

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Direct materials	**1,320,256**	**74.3**	1,224,853	73.3
Labor cost	**148,094**	**8.3**	136,072	8.1
Utilities	**51,169**	**2.9**	46,204	2.8
Depreciation of property, plant and equipment	**118,552**	**6.7**	128,811	7.7
Other costs of farms	**137,664**	**7.8**	136,078	8.1
Subtotal of cost of sales before raw milk fair value adjustments of dairy farming business	**1,775,735**	**100**	1,672,018	100

Direct materials (mainly forage) cost for the Reporting Period amounted to RMB1,320 million (2019: RMB1,225 million), representing an increase of 7.8% yoy, mainly due to the rise in the number of milkable cows.

By regulating the formula of the feed, we effectively managed to control the forage costs, and have increased the cow management efficiency per capital and the energy consumption were strictly under control. During the Reporting Period, the cost (excluding depreciation of property, plant and equipment) of milk sold by the Group in kilograms amounted to RMB2.27/kg (2019: RMB2.31/kg), representing a drop of 1.7% yoy.

Gross Profit and Profitability

Gross profit of dairy farming business before raw milk fair value adjustments amounted to RMB1,052.0 million during the Reporting Period (2019: RMB898.1 million), representing a significant increase of 17.1% yoy, which was mainly due to the increase in unit production output and total milk production and effective cost control.

Gross profit margin of dairy farming business before raw milk fair value adjustments stood at 37.2% during the Reporting Period (2019: 34.9%), representing an increase of 2.3 percentage points yoy.

Losses Arising from Changes in the Dairy Cow Fair Value Less Cost of Sales of Dairy Cows

As at 30 June 2020, the biological assets of the Group were valued at RMB7,356.7 million (31 December 2019: RMB7,459.4 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Losses arising from changes in the dairy cow fair value less cost of sales of dairy cows were RMB448.7 million (2019: RMB430.5 million) for the Reporting Period, approximately the same as last year.

Gains Arising from Initial Recognition at Fair Value Less Cost of Sales at the Point of Raw Milk Harvest

During the Reporting Period, gains arising from initial recognition at fair value less cost of sales at the point of raw milk harvest increased by 17.6 % yoy to RMB960.4 million (2019: RMB816.6 million), mainly due to the increase in ASP of raw milk as well as an increase in unit production output.

International Financial Reporting Standards (IFRS) requires that raw milk harvested should be initially measured at fair value less cost of sales, and the difference between the fair value less cost of sales and the actual costs incurred should be charged to profit or loss.

OTHER INCOME

During the Reporting Period, other income amounted to RMB41.2 million (2019: RMB21.5 million). Other income mainly consisted of government grants and interest income. Government grants mainly consisted of subsidies for agricultural projects and subsidies for the operations of the Group.

OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Selling and distribution costs	**98,175**	82,985
Administrative expenses	**144,885**	138,279
Total operating expenses	**243,060**	221,264

During the Reporting Period, the overall operating expenses of the Group amounted to approximately RMB243.1 million (2019: RMB221.3 million). The analysis is as follows:

- **Selling and Distribution Costs**

  The analysis of the selling and distribution costs is set forth below:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Transportation costs and others	**96,580**	81,551
Business tax and surcharge	**1,595**	1,434
Total selling and distribution costs	**98,175**	82,985

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

During the Reporting Period, the Group recorded selling and distribution costs of RMB98.2 million (2019: RMB83.0 million), representing an increase of 18.3% yoy. This was mainly due to the increase in the sales volume of raw milk.

- **Administrative Expenses**

  During the Reporting Period, the administrative expenses were RMB144.9 million, which increased by RMB6.6 million as compared to the corresponding period of last year in the amount of RMB138.3 million, representing an increase of 4.8%.

  Administrative expenses mainly consisted of, among other things, remuneration of management (including equity-based share award expenses) and depreciation of office buildings, staff quarters and facilities.

IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment losses/(reversed) recognised on the following items:		
Trade receivables	**(100)**	(108,642)
Other receivables	**90**	621
	(10)	(108,021)

OTHER GAINS AND LOSSES, NET

During the Reporting Period, the Group recorded a net gain arising from other gains and losses of RMB40.4 million (2019: net loss of RMB26.7 million). Other gains and losses mainly consisted of net amount of foreign exchange loss, impairment loss on goodwill and gains arising on disposal of subsidiaries.

The breakdown of other gains and losses is as follow:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other gains and losses, net:		
Net foreign exchange loss	**51,078**	27,128
Loss on disposal of property, plant and equipment, net	**3,953**	7,948
Impairment loss on goodwill	**22,750**	–
Gain on disposal of subsidiaries	**(72,280)**	–
Fair value gain on derivative financial instruments:		
Foreign currency forward contracts	**(18,414)**	(1,732)
Foreign currency option contracts	**(27,364)**	(5,942)
Fair value gain on structured deposits	**(74)**	–
Gain on derecognition of financial liabilities	**–**	(687)
	(40,351)	26,715

FINANCE COSTS

During the Reporting Period, finance costs decreased to RMB214.8 million (2019: RMB224.4 million), RMB9.6 million less than same period last year or a drop of 4.3%. The decrease in finance costs was mainly due to the finely-tuned debt structure, the decrease of interest-bearing liabilities, and the resulting effects of the decreasing interest rate during the Reporting Period.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

During the Reporting Period, the earnings attributable to owners of the Company amounted to RMB220.7 million (2019: RMB124.9 million), representing an increase of 76.7% yoy. Adhering to the Group's strategies of cost-reduction and efficiency enhancement, the Group has implemented the principle of "increasing, reducing, replacing and stopping" in terms of technology, equipment, procurement and silage usage, which resulted in significant improvement in the overall operating indicators of the Group.

Basic earnings per share was approximately RMB3.47 cents (2019: basic earnings per share of RMB2.05 cents) for the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's net cash inflow generated from operating activities amounted to RMB1,055.2 million (2019: RMB855.6 million), representing an increase of 23.3% yoy.

The Group's total equity as at 30 June 2020 was RMB7,440.0 million (as at 31 December 2019: RMB7,207.7 million). As at 30 June 2020, the Group's net gearing ratio (calculated on the basis of the amount of total borrowings less cash and deposit assets as a percentage of the total equity) was 66.4% (as at 31 December 2019: 77.0%).

As at 30 June 2020, the Group's available and unutilized credit facilities amounted to approximately RMB6,688.2 million (31 December 2019: RMB3,753.4 million). In the opinion of the Group's management, the Group is able to repay the relevant amount in full as the financial obligations fall due for the next twelve months.

Interest-bearing Borrowings

As at 30 June 2020, the total interest-bearing debt was RMB6,215.0 million.

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Borrowings		
Bank borrowings	**6,214,969**	5,538,474
Other borrowings	**–**	1,051,413
	6,214,969	6,589,887
Carrying value repayable:		
Within one year	**4,305,806**	4,874,056
Between one and two years	**1,509,700**	1,525,831
Between two and five years	**399,463**	190,000
	6,214,969	6,589,887

Bank Borrowings

The annual interest rate of the bank borrowings for the six months ended 30 June 2020 varied from 0.66% to 5.00% (for the six months ended 30 June 2019: 0.45% to 5.00%).

The table below sets forth our short-term and long-term bank borrowings for the dates indicated below:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Type of borrowings		
Unsecured borrowings	**5,910,520**	5,320,114
Secured borrowings	**304,449**	218,360
	6,214,969	5,538,474
Carrying amount repayable:		
Within one year	**4,305,806**	3,822,643
Between one and two years	**1,509,700**	1,525,831
Between two and five years	**399,463**	190,000
	6,214,969	5,538,474

Other Borrowings

Details are as follows:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amounts repayable:		
Within one year		
– Borrowing from a financial institution	**–**	50,083
– Borrowings from Mengniu Group	**–**	1,001,330
	–	1,051,413

The other borrowings were repaid before 30 June 2020.

GROUP STRUCTURE AND CAPITAL STRUCTURE

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

As at 30 June 2020, the number of issued ordinary shares of the Company was 6,407,635,115 shares.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2020, biological assets with carrying value of RMB819.2 million (as at 31 December 2019: RMB838.7 million) were pledged to secure the Group's borrowings.

The Group did not have any significant contingent liabilities as at 30 June 2020.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments of RMB19.9 million related to acquisition of property, plant and equipment (as at 31 December 2019: RMB21.5 million).

MATERIAL ACQUISITIONS AND DISPOSALS

For the Reporting Period, the Company has completed the disposal of total equity of Modern Energy (Wuhe) Co., Ltd. (現代能源(五河)有限公司) and Modern Energy (Hefei) Co., Ltd., (現代能源(合肥)有限公司) both of which were then indirectly non wholly-owned subsidiaries of the Company, to JV Company. Except for the disposal mentioned above, the Company had no other material acquisitions or disposal of subsidiaries or associates.

SIGNIFICANT INVESTMENTS

For the Reporting Period, the Group had no significant investments.

PLANS FOR MATERIAL INVESTMENTS OR CAPITAL

The Group, from time to time, explores investment opportunities that would benefit the shareholders of the Company as a whole. Saved as disclosed in this announcement, the Group does not have any concrete plans for material investments and capital assets.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as otherwise disclosed in this announcement, our Directors have confirmed that, as of 30 June 2020, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, no other material events occurred after the end of the Reporting Period and up to the date of this announcement.

FINANCIAL MANAGEMENT POLICIES

The Group will continue to closely monitor its financial risks so as to safeguard the interests of the shareholders of the Company. The Group applies its cash flows generated from operation and bank loans to meet its operational and investment needs.

Except for the bank borrowings that are denominated in currencies other than Renminbi, the Group's management considers that the Group has limited foreign currency exposure in respect of its operations since its operations are mainly conducted in mainland China. Sales and purchases are mainly denominated in Renminbi and the foreign currency risks associated with refined feeds and farm facilities are not material. In view of the foreign currency exchange and interest rate risk related to its borrowings, the Group cautiously uses derivative contracts to hedge against its exposure to foreign currency and interest rate risks. The management strictly complies with relevant hedging policy, reviews and assesses relevant risks from time to time, and takes necessary measures when appropriate.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

The Group had 4,643 employees (as at 31 December 2019: 5,053 employees) in mainland China and Hong Kong as at 30 June 2020. Total staff costs (including staff compensation capitalised to immature dairy cows) for the Reporting Period were approximately RMB274.0 million (2019: RMB233.1 million).

The Group values recruiting, training and retaining quality personnel. We recruit talented employees from local universities, vocational schools and other technical schools, and we provide these employees with various pre-employment and on-the-job training. The Group also offers remuneration such as share award schemes and employee partnership program, at competitive rates with the aim of retaining quality personnel and grow with the Company.

PROSPECTS

In the past two years, the central government supported and fostered the development of local dairy industry by successively introducing a number of policies to strengthen dairy industry support. In February 2020, the No. 1 Central Document stressed the need to ensure the effective supply of important agricultural products, support the production of dairy, poultry, cattle and sheep, and guide the optimization of meat consumption structure.

Currently, raw milk market is short in supply and it is expected that the shortage of raw milk will continue and the prices of which will be rising steadily. With the withdrawal of small- and medium-sized dairy farms from the market, the cyclicity of the dairy farming industry has weakened, and raw milk will be mainly provided by large-scale dairy farms in the future. The industry entry barriers of large-scale farming are high, and the Company could benefit from the industry cycle and take the advantages of being an industry leader.

2020 is the anniversary when the Company celebrates its 15th year of establishment and 10th year of listing. Since the beginning of the year, the Pandemic Outbeak has ravaged the world and has had a severe impact on society and the economy. Every industry and business is facing huge challenges. Against this backdrop, Modern Dairy actively responds to and focuses on upstream business. The Company's herd size grows healthily and steadily, the unit production and total production continuously exceeded expectations, while the production cost is properly controlled. Under the condition that milk prices remain stable, the advantages of scale and internal increase benefits are further highlighted. The Company continues to increase the unit yield of dairy cows, reduce costs, and improve operational efficiency. Facing the market, we leverage on the cyclical trends of the dairy market, and grasp development opportunities. The focus of the Group's operation strategy in the next three to five years will be on appropriately increasing the size of the herd, maintaining a reasonable herd portfolio, increasing yields, and achieving steady growth in output. The Company will continue to strengthen the synergistic integration of upstream and downstream business, build a full chain of raw milk production, enhance the market competitiveness as the domestic top brand of raw milk production, create greater value for shareholders, be a role model as the industry leader and serve consumers with raw milk with richest nutritional value and make unremitting contributions to the upgrading and transformation of China's dairy industry.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**2,827,752**	2,570,133
Cost of sales before raw milk fair value adjustments	*6*	**(1,775,735)**	(1,672,018)
Raw milk fair value adjustments included in cost of sales	*6*	**(960,393)**	(816,632)
Loss arising from changes in fair value less costs to sell of dairy cows		**(448,749)**	(430,471)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest		**960,393**	816,632
Other income	*5*	**41,182**	21,547
Impairment losses under expected credit loss model, net of reversal	*13*	**10**	108,021
Selling and distribution costs		**(98,175)**	(82,985)
Administrative expenses		**(144,885)**	(138,279)
Share of profit of associates		**12,727**	12,284
Other gains and losses, net	*6*	**40,351**	(26,715)
Other expenses		**(13,089)**	(3,264)
Profit before finance costs and tax	*6*	**441,389**	358,253
Finance costs	*7*	**(214,798)**	(224,375)
Profit before tax		**226,591**	133,878
Income tax expense	*8*	**(276)**	(197)
Profit for the period		**226,315**	133,681

	NOTE	Six months ended 30 June **2020** **RMB'000** **(unaudited)**	2019 RMB'000 (unaudited)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Fair value gain on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**3,935**	131
Other comprehensive income for the period, net of income tax		**3,935**	131
Total comprehensive income for the period		**230,250**	133,812
Profit for the period attributable to:			
Owners of the Company		**220,736**	124,859
Non-controlling interests		**5,579**	8,822
		226,315	133,681
Total comprehensive income for the period attributable to:			
Owners of the Company		**224,599**	124,988
Non-controlling interests		**5,651**	8,824
		230,250	133,812
Earnings per share *(RMB)*	*10*		
Basic		**3.47 cents**	2.05 cents
Diluted		**3.46 cents**	2.05 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	NOTES	**30 June 2020 RMB'000 (unaudited)**	31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,283,526**	3,455,068
Right-of-use assets		**312,278**	320,161
Goodwill		**1,348,516**	1,371,266
Interests in associates		**271,017**	215,392
Equity instruments at FVTOCI		**7,894**	3,959
Biological assets	*11*	**7,356,686**	7,459,359
Derivative financial instruments		**45,187**	–
Non-pledged bank deposits		**140,000**	–
		12,765,104	12,825,205
CURRENT ASSETS			
Inventories		**673,823**	1,078,491
Trade and other receivables and advanced payments	*12*	**633,235**	618,288
Structured bank deposits		**50,074**	–
Derivative financial instruments		**14,240**	89,543
Pledged bank balances and non-pledged bank deposits		**96,234**	147,775
Bank balances and cash		**990,495**	893,441
		2,458,101	2,827,538
Assets of a disposal group classified as held for sale		**–**	71,450
		2,458,101	2,898,988
CURRENT LIABILITIES			
Trade and other payables	*14*	**1,118,595**	1,521,688
Tax payable		**216**	233
Bank borrowings – due within one year	*15*	**4,305,806**	3,822,643
Other borrowings		**–**	1,051,413
Lease liabilities		**13,068**	23,238
Derivative financial instruments		**36,746**	15,274
Contract liabilities		**202**	189
		5,474,633	6,434,678
Liabilities of a disposal group classified as held for sale		**–**	2,196
		5,474,633	6,436,874
NET CURRENT LIABILITIES		**(3,016,532)**	(3,537,886)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,748,572**	9,287,319

	NOTE	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**551,007**	551,007
Share premium and reserves		**6,757,343**	6,530,510
Equity attributable to owners of the Company		**7,308,350**	7,081,517
Non-controlling interests		**131,686**	126,184
TOTAL EQUITY		**7,440,036**	7,207,701
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	*15*	**1,909,163**	1,715,831
Lease liabilities		**207,790**	206,109
Derivative financial instruments		**38,626**	–
Deferred income		**152,957**	157,678
		2,308,536	2,079,618
		9,748,572	9,287,319

NOTES

1. GENERAL

China Modern Dairy Holdings Ltd. (the "**Company**") is a limited liability company and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands. The principal place of business of the Company is located in Economic and Technological Development Zone, Maanshan City, Anhui Province, the People's Republic of China (the "**PRC**").

As at 30 June 2020, China Mengniu Dairy Co., Ltd. ("**Mengniu**") and its wholly-owned subsidiary together owned 58.15% of the issued share capital of the Company.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in production and sales of milk. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Group operate (the "**functional currency**").

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group has managed to maintain the normal level of production and sales volume amid the outbreak of the Covid-19. During the current period, the Group had donated liquid milk of RMB10,000,000 to areas infected by Covid-19 which was purchased from Mengniu.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparation of the condensed consolidated financial statements for the six months ended 30 June 2020, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its total current assets by RMB3,016,532,000. Having considered the expected net cash inflows from the Group's operations for the next twelve months and the available credit facilities of approximately RMB6,688,190,000 which remains unutilised as at 30 June 2020, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future. The abovementioned credit facilities included an amount of RMB1,300,000,000 from Inner Mongolia Mengniu Dairy (Group) Company Limited ("**Inner Mongolia Mengniu**"), a subsidiary of Mengniu and the remaining facilities are from licensed banks. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for: (i) the biological assets, which are measured at fair value less costs to sell; (ii) derivative financial instruments, which are measured at fair value; (iii) structured bank deposits, which are measured at fair value; and (iv) equity instruments at FVTOCI, which are measured at fair value at the end of each reporting period.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

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

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

Accounting policies newly applied by the Group

Embedded derivatives

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

3A. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Except for the key sources of estimation uncertainty disclosed in Note 5 of the Group's consolidated financial statements for the year ended 31 December 2019, new key sources of estimation uncertainty for current period are arisen from disposal of subsidiaries as disclosed in Note 16.

After the completion of the disposal, the Group has taken certain obligations. For the two commitments relating to the supply of manure feed and valid land use right, the Group estimate the value is immaterial. For the buy back clause, the fair value is determined by using the Binomial-Tree Model with key inputs including the discount rate and expected volatility. Further details are given in Note 16.

4. REVENUE

Disaggregation of revenue

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Types of goods		
Raw milk	**2,827,752**	2,570,133
Timing of revenue recognition		
A point in time	**2,827,752**	2,570,133

Geographic information

Since all revenue from external customers is derived from the customers located in Mainland China and all of the non-current assets are located in Mainland China and the Group is managed on a nationwide basis because of the similarity of the type or class of the customers and the similarity of the regulatory environment in the whole region, no geographic information is presented.

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**7,747**	5,294
Government grants related to		
− Assets *(Note i)*	**10,727**	9,414
− Income *(Note ii)*	**18,897**	3,088
	29,624	12,502
Others	**3,811**	3,751
	41,182	21,547

Notes:

i. These government grants are in relation to the construction and acquisition of property, plant and equipment and are included in the condensed consolidated statement of financial position as deferred income and credited to the profit or loss on a straight-line basis over the useful lives of the related assets.

ii. These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.

6. PROFIT BEFORE FINANCE COSTS AND TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of sales before raw milk fair value adjustments:		
Breeding costs to produce raw milk	**1,775,735**	1,672,018
Raw milk fair value adjustments included in cost of sales	**960,393**	816,632
	2,736,128	2,488,650
Other gains and losses, net:		
Net foreign exchange loss	**51,078**	27,128
Loss on disposal of property, plant and equipment, net	**3,953**	7,948
Impairment loss on goodwill	**22,750**	–
Gain on disposal of subsidiaries	**(72,280)**	–
Fair value gain on derivative financial instruments:		
Foreign currency forward contracts	**(18,414)**	(1,732)
Foreign currency option contracts	**(27,364)**	(5,942)
Fair value gain on structured deposits	**(74)**	–
Gain on derecognition of financial liabilities	**–**	(687)
	(40,351)	26,715
Depreciation of property, plant and equipment	**228,498**	259,395
Depreciation of right-of-use assets	**8,434**	7,891
Less: capitalised in biological assets	**(99,800)**	(109,299)
Depreciation charged to profit or loss	**137,132**	157,987
Equity-settled share award expense	**21,977**	24,635
Other employee benefits costs	**274,024**	233,092
Less: capitalised in biological assets	**(65,416)**	(59,580)
Employee benefits charged to profit or loss	**230,585**	198,147

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on:		
Bank borrowings	**137,539**	126,947
Medium-term notes	**–**	6,620
Corporate bonds	**–**	14,645
Other borrowings from Mengniu	**6,818**	27,022
Other borrowings from financial institutions	**403**	1,059
Lease liabilities	**5,475**	5,223
Amount due to Mengniu	**–**	4,354
Total borrowing cost	**150,235**	185,870
Fair value loss on interest rate swaps	**64,563**	38,505
	214,798	224,375

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax	**276**	197

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries established in the PRC.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax (the "**EIT Law**") at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. According to the prevailing tax rules and regulation of the PRC, the Group is exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC.

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

9. DIVIDENDS

No interim dividends (six months ended 30 June 2019: nil) were paid, declared or proposed for current period.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit		
Profit for the purposes of basic and diluted earnings per share	**220,736**	124,859

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,363,900,590**	6,086,773,027
Effect of dilutive potential ordinary shares:		
Share options	**3,568,516**	9,775,985
Share awards	**8,778,377**	5,325,000
	6,376,247,483	6,101,874,012

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

11. BIOLOGICAL ASSETS

The fair value less costs to sell of dairy cows at the end of the reporting period is set out below:

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Milkable cows	**5,326,986**	5,543,159
Heifers and calves	**2,029,700**	1,916,200
Total dairy cows	**7,356,686**	7,459,359

The Group has engaged Jones Lang LaSalle Corporate Appraisal And Advisory Limited, an independent firm of professional valuer, to assist it in assessing the fair values of the Group's dairy cows.

12. TRADE AND OTHER RECEIVABLES AND ADVANCED PAYMENTS

	30 June 2020 *RMB'000* (unaudited)	31 December 2019 *RMB'000* (audited)
Trade receivables	**508,635**	550,205
Less: allowance for credit losses	**(8,535)**	(8,635)
	500,100	541,570
Advanced payments for feeds and materials	**64,673**	64,819
Input value added tax recoverable	**2,546**	2,591
Receivables from disposal of property, plant and equipment	**999**	4,015
Receivables from disposal of subsidiaries	**55,674**	–
Others	**9,243**	5,293
	633,235	618,288

The Group normally allows a credit period of 30 days to its customers.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates at the end of the reporting period:

	30 June 2020 *RMB'000* (unaudited)	31 December 2019 *RMB'000* (audited)
Trade receivables		
– within 30 days	**500,100**	541,570

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment loss (reversed) recognised in respect of		
Trade receivables	**(100)**	(108,642)
Other receivables	**90**	621
	(10)	(108,021)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date and the analysis used by the Group's management to monitor the Group's financial position.

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables		
– within 60 days	**496,287**	905,457
– beyond 60 days but within 120 days	**182,836**	213,925
– beyond 120 days but within 360 days	**41,455**	18,536
– beyond 360 days but within 720 days	**18,291**	16,747
Bills payable *(Note)*	**–**	2,841
	738,869	1,157,506
Payable for acquisition of property, plant and equipment	**126,269**	140,350
Accrued staff costs	**129,868**	113,503
Advance payments from disposal of dairy cows and others	**18,934**	27,067
Others	**104,655**	83,262
	1,118,595	1,521,688

Note: Bills payable are mature within twelve months from the respective issuance dates.

15. BANK BORROWINGS

During the current period, the Group obtained new bank borrowings amounting to RMB2,459,100,000 (six months ended 30 June 2019: RMB2,682,181,000) and repaid RMB1,772,996,000 (six months ended 30 June 2019: RMB1,425,020,000).

As at 30 June 2020, bank borrowings are denominated in the following currencies:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
US$	**1,793,629**	2,083,136
HK$	**1,114,710**	1,095,831
RMB	**3,306,630**	2,359,507
	6,214,969	5,538,474

The bank borrowings comprise:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Fixed-rate borrowings	**2,457,315**	1,449,411
Variable-rate borrowings	**3,757,654**	4,089,063
	6,214,969	5,538,474

The annual interest rate of the bank borrowings during the current period ranged from 0.66% to 5.00% (six months ended 30 June 2019: 0.45% to 5.00%).

16. DISPOSAL OF SUBSIDIARIES

On 31 December 2019, Modern Farming entered into two share transfer agreements (the "**Transfer Agreements**") with Jiangyin Dairy Energy, pursuant to which Modern Farming agreed to sell, and Jiangyin Dairy Energy agreed to acquire, the entire equity interests in Wuhe Energy and Hefei Energy (Wuhe Energy and Hefei Energy are collectively referred to as the "**Two Energy Companies**"), then wholly-owned subsidiaries of Modern Farming, at an aggregate cash consideration of RMB148,124,000. The above transaction constituted a discloseable transaction of the Company under the Listing Rules and has been published in the Company's announcement dated 31 December 2019. The disposal was completed in January 2020.

According to the Transfer Agreements, Modern Farming has taken the following obligations after the completion of the disposal: (i) 20 years following the date of completion of the disposal, Modern Farming or its subsidiaries will continuously supply manure feed to the Two Energy Companies free of charge and an annual minimum of total solid ("**TS**") content will be maintained in the manure feed ("**Commitment I**"); (ii) Modern Farming will ensure the Two Energy Companies have a valid land use right which will be used for the operation of the Two Energy Companies in compliance with the relevant law until 31 December 2039 ("**Commitment II**"); (iii) If any of the following (a) and (b) occurs, (a) within 18 years following the date of completion of the disposal, the TS content of the feed falls below 80% of the annual minimum pursuant to Commitment I above; (b) Modern Farming fails to ensure the Commitment II, Jiangyin Dairy Energy has the right to require Modern Farming to buy back all the equity interest in the Two Energy Companies (the "**Option**"). The price will be 130% of the sum of the consideration under the Transfer Agreements and any subsequent capital investment in respect of the Two Energy Companies (in a maximum of RMB43,600,000 in respect of Wuhe Energy and RMB27,210,000 in respect of Hefei Energy).

The management considered the liabilities of Modern Farming arising from its obligations in respect of Commitment I and Commitment II are insignificant. As to the Option, the Group engaged an independent valuer, Asia-Pacific Consulting and Appraisal Limited, to assist it in assessing the fair value, which is determined using the Binomial-Tree Model. Based on the valuation performed, the management considered the amount is not material and accordingly has not been recognised in the financial statements.

	31 January 2020 *RMB'000*
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	**69,798**
Inventories	**93**
Trade and other receivables and advanced payments	**6,017**
Cash and bank balances	**6,734**
Trade and other payables	**(6,699)**
Tax payable	**(99)**
Net assets disposed of	**75,844**

	RMB'000
Gain on disposal of subsidiaries:	
Consideration received	**92,450**
Receivables from Jiangyin Dairy Energy	**55,674**
Net assets disposed of	**(75,844)**
Gain on disposal	**72,280**
Net cash inflow arising on disposal:	
Cash consideration	**92,450**
Less: bank balances and cash disposed of	**(6,734)**
	85,716

17. CAPITAL COMMITMENTS

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Capital expenditure contracted but not provided for, in respect of acquisition of property, plant and equipment	**19,944**	21,474

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (2019: Nil).

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The Company has, throughout the Reporting Period complied with the code provisions set out in the CG Code, except for the deviations from code provision A.6.7 which is explained below.

Code provision A.6.7 of the CG Code provides, among other things, that non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Two non-executive Directors were not able to attend the annual general meeting of the Company held on 6 June 2020 due to other business engagements.

Save as disclosed above, the Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the share award scheme of the Company adopted on 26 March 2018, pursuant to the rules of this scheme, purchased on the open market a total of 20,000,000 shares of the Company at a consideration of approximately HK$17,255,000 (equivalent to RMB15,763,000) for the six months ended 30 June 2020.

The Group retained a total number of 5,510,525 vesting shares as a consideration of approximately HK$4,519,000 (equivalent to RMB4,129,000) for paying the individual income tax on behalf of those selected participants under the share award schemes of the Company.

UPDATE ON INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Lee Kong Wai, Conway, the Company's independent non-executive Director has ceased to be the director of Tibet Water Resources Limited (stock code 1115.HK) on 28 February 2020. Save as disclosed above, there was no changes in the information of Directors since the publication of announcement by the Company dated 30 March 2020 in relation to, among others, the resignation, appointment and re-designation of Director, and date of the 2019 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

There is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS

The condensed interim financial statements have been reviewed by the Group's auditor, Deloitte Touche Tohmatsu, 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, and the Audit Committee.

PUBLICATION OF THE INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.moderndairyir.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

The interim report of the Group will be published on the aforesaid websites and will be dispatched to the shareholders of the Company in due course.

For and on behalf of the Board
China Modern Dairy Holdings Ltd.
LU Minfang
Chairman

Hong Kong, 24 August 2020

As of the date of this announcement, the executive directors are Ms. GAO Lina and Mr. SUN Yugang, the non-executive directors are Mr. LU Minfang (Chairman), Mr. ZHANG Ping, Mr. ZHAO Jiejun and Ms. GAN Lu, and the independent non-executive directors are Mr. LI Shengli, Mr. LEE Kong Wai Conway and Mr. WOLHARDT Julian Juul.