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**YuanShengTai Dairy Farm Limited**  
**原生态牧业有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1431)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**INTERIM RESULTS**

The board of directors (the “**Directors**” and the “**Board**”, respectively) of YuanShengTai Dairy Farm Limited (the “**Company**” or “**YuanShengTai**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) together with selected explanatory notes and the relevant comparative figures.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>837,439</b>	751,258
Cost of sales		<u>(608,476)</u>	<u>(534,097)</u>
Gross profit		<b>228,963</b>	217,161
Other income		<b>20,257</b>	44,980
Administrative expenses		<b>(49,846)</b>	(37,221)
Other expenses		<b>(18,498)</b>	(9,657)
Finance costs		<b>(1,767)</b>	–
Changes in fair value less costs to sell of biological assets	10	<b>(81,077)</b>	(91,293)
Impairment losses and accrued expenses related to removal of Baiquan Ruixincheng Dairy Farming Co., Ltd.		<u>–</u>	<u>(51)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>98,032</b>	123,919
Income tax expense		<u>–</u>	<u>–</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>98,032</u></b>	<b><u>123,919</u></b>
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(97)</u>	<u>316</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>97,935</u></b>	<b><u>124,235</u></b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b><u>98,032</u></b>	<b><u>123,919</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b><u>97,935</u></b>	<b><u>124,235</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic (expressed in RMB per share)	8	<b><u>0.021</u></b>	<b><u>0.026</u></b>
Diluted (expressed in RMB per share)	8	<b><u>0.021</u></b>	<b><u>0.026</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,702,453	2,632,948
Investment properties		83,925	78,134
Right-of-use assets		80,536	82,271
Prepayments and other receivables		60,747	64,482
Biological assets	10	<u>1,539,100</u>	<u>1,441,940</u>
Total non-current assets		<u>4,466,761</u>	<u>4,299,775</u>
<b>CURRENT ASSETS</b>			
Inventories		172,642	316,608
Trade receivables	11	147,907	131,084
Prepayments and other receivables		7,049	6,287
Cash and cash equivalents	12	<u>1,057,615</u>	<u>1,029,583</u>
Total current assets		<u>1,385,213</u>	<u>1,483,562</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	172,797	194,751
Other payables and accruals	14	342,874	426,224
Lease liabilities		<u>11,301</u>	<u>9,466</u>
Total current liabilities		<u>526,972</u>	<u>630,441</u>
<b>NET CURRENT ASSETS</b>		<u>858,241</u>	<u>853,121</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,325,002</u>	<u>5,152,896</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	14	265,036	188,752
Lease liabilities		<u>65,535</u>	<u>67,648</u>
Total non-current liabilities		<u>330,571</u>	<u>256,400</u>
<b>NET ASSETS</b>		<u>4,994,431</u>	<u>4,896,496</u>
<b>EQUITY</b>			
Share capital	15	37,674	37,674
Reserves		<u>4,956,757</u>	<u>4,858,822</u>
Total equity		<u>4,994,431</u>	<u>4,896,496</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does 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 for the year ended 31 December 2020.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the production and sale of raw milk. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

#### 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of raw milk	<u>837,439</u>	<u>751,258</u>

#### Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 Sale of raw milk <i>RMB'000</i>	2020 Sale of raw milk <i>RMB'000</i>
<b>Segments</b>		
<b>Type of goods</b>		
Sale of raw milk	<u>837,439</u>	<u>751,258</u>
Total revenue from contracts with customers	<u>837,439</u>	<u>751,258</u>
<b>Geographical market</b>		
Mainland China	<u>837,439</u>	<u>751,258</u>
Total revenue from contracts with customers	<u>837,439</u>	<u>751,258</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>837,439</u>	<u>751,258</u>
Total revenue from contracts with customers	<u>837,439</u>	<u>751,258</u>

## 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Breeding costs to produce	436,084	377,541
Production costs for raw milk	172,392	156,556
Cost of sales	<u>608,476</u>	<u>534,097</u>
Depreciation in property, plant and equipment	72,006	59,431
Less: Capitalised in biological assets	<u>(31,711)</u>	<u>(18,344)</u>
Depreciation recognised in the statement of profit or loss and other comprehensive income*	<u>40,295</u>	<u>41,087</u>
Depreciation in right-of-use assets	2,554	2,598
Depreciation of investment properties	6,018	2,790
Auditors' remuneration	1,600	1,500
Changes in fair value less costs to sell of biological assets	81,077	91,293
Lease payments for short-term leases	44	45
Employee benefit expenses excluding directors' and chief executive's remuneration		
Wages and salaries	63,926	50,461
Pension scheme contributions	13,483	5,737
Less: Capitalised in biological assets	<u>(25,681)</u>	<u>(18,498)</u>
Employee benefit expenses excluding directors' and chief executive's remuneration recognized in the statement of profit or loss and other comprehensive income**	<u>51,728</u>	<u>37,700</u>
Impairment losses and accrued expenses related to removal of Baiquan Ruixincheng Dairy Farming Co., Ltd.	-	51
Loss on disposal of items of property, plant and equipment	1,232	399
Foreign exchange differences, net	10,716	(29,703)

\* Depreciation of approximately RMB39,708,000 (six months ended 30 June 2020: RMB38,005,000) is included in the cost of sales on the face of the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021.

\*\* Employee benefit expenses of approximately RMB42,308,000 (six months ended 30 June 2020: RMB33,553,000) is included in the cost of sales on the face of the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021.

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

According to the prevailing tax rules and regulations, certain subsidiaries of the Group operating in the agricultural business are exempted from enterprise income tax.

## 7. DIVIDENDS

No dividend was paid or proposed by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the Company of RMB98,032,000 (unaudited) (2020: RMB123,919,000 (unaudited)) and the weighted average number of ordinary is 4,690,496,400 (unaudited) (2020: 4,690,496,400 (unaudited)) shares in issue during the six months ended 30 June 2021.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the Company of RMB98,032,000 (unaudited) (2020: RMB123,919,000 (unaudited)). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 4,690,496,400 (unaudited) (2020: 4,729,961,767 (unaudited)) in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of nil (unaudited) (2020: 39,465,367 (unaudited)) assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation	<u>98,032</u>	<u>123,919</u>
	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	2021	2020
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>4,690,496,400</b>	4,690,496,400
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>–</u>	<u>39,465,367</u>
	<u><b>4,690,496,400</b></u>	<u>4,729,961,767</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets with a cost of RMB142,818,000 (unaudited) (30 June 2020: RMB102,059,000 (unaudited)).

Assets with a net book value of RMB1,302,000 (unaudited) were disposed by the Group during the six months ended 30 June 2021 (30 June 2020: RMB399,000 (unaudited)), resulting in a net loss on disposal of RMB1,232,000 (unaudited) (30 June 2020: RMB399,000 (unaudited)).

## 10. BIOLOGICAL ASSETS

### A – Nature of activities

Dairy cows owned by the Group are primarily held to produce milk.

The quantity of dairy cows owned by the Group as at 30 June 2021 and 31 December 2020 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held as at 30 June 2021 and 31 December 2020 were dairy cows that have not had their first calves.

	<b>30 June 2021</b> <b>(Unaudited)</b> <b>Heads</b>	31 December 2020 (Audited) Heads
Dairy cows		
Milkable cows	<b>35,057</b>	35,128
Heifers and calves	<b>37,264</b>	34,270
	<hr/>	<hr/>
Total dairy cows	<b>72,321</b>	69,398
	<hr/> <hr/>	<hr/> <hr/>

The Group is exposed to fair value risks arising from changes in price of the dairy products. The Group does not anticipate that the price of the dairy products will decline significantly in the foreseeable future and the Directors are of the view that there are no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the dairy products.

In general, the heifers are inseminated with semen when they reached approximately 16 months old. After approximately nine months following a successful insemination, 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 before an approximately 60 days' dry period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the estimated fair value on the date of transfer. The sale of dairy cows is not one of the Group's principal activities and the proceeds are not included as revenue.



## B – Value of dairy cows

The value of dairy cows at the end of the reporting period was:

	<b>30 June 2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Dairy cows	<b>1,539,100</b>	1,441,940
	<b>Heifers and calves</b> <i>RMB'000</i>	<b>Milkable cows</b> <i>RMB'000</i>
		<b>Total</b> <i>RMB'000</i>
Balance as at 1 January 2020	489,543	843,895
Increase due to raising (feeding costs and others)	421,667	–
Transfer (out)/in	(346,204)	346,204
Decrease due to sales	(54,098)	(87,768)
Gain/(loss) arising from changes in fair value less costs to sell	32,049	(203,348)
Balance as at 31 December 2020 and 1 January 2021 (audited)	<b>542,957</b>	<b>898,983</b>
Increase due to raising (feeding costs and others)	<b>266,901</b>	–
Transfer (out)/in	<b>(196,513)</b>	<b>196,513</b>
Decrease due to sales	<b>(25,519)</b>	<b>(63,145)</b>
Gain/(loss) arising from changes in fair value less costs to sell	<b>18,914</b>	<b>(99,991)</b>
Balance as at 30 June 2021 (unaudited)	<b>606,740</b>	<b>932,360</b>

## C – Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's biological assets:

	<b>Fair value measurement using significant unobservable inputs (Level 3) RMB'000</b>
As at 30 June 2021 (unaudited)	<b>1,539,100</b>
As at 31 December 2020 (audited)	1,441,940

## 11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2020 <i>RMB'000</i> (Audited)
Within 1 month	<u>147,907</u>	<u>131,084</u>

## 12. CASH AND CASH EQUIVALENTS

	<b>30 June 2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2020 <i>RMB'000</i> (Audited)
Cash and bank balances	702,086	673,845
Time deposits	<u>355,529</u>	<u>355,738</u>
Cash and cash equivalents	<u>1,057,615</u>	<u>1,029,583</u>

## 13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2020 <i>RMB'000</i> (Audited)
Within 2 months	135,714	162,035
2 to 6 months	25,498	24,049
6 to 12 months	7,182	4,068
Over 1 year	<u>4,403</u>	<u>4,599</u>
	<u>172,797</u>	<u>194,751</u>

**14. OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2021</b> <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Deferred income	282,970	202,142
Other payables – construction	124,208	129,251
Other payables – equipment and materials	26,029	23,591
Others	174,703	259,992
	<u>607,910</u>	<u>614,976</u>
<b>Non-Current Portion</b>		
Deferred income	(265,036)	(188,752)
	<u>342,874</u>	<u>426,224</u>

The above amounts are non-interest-bearing and have no fixed terms of settlement.

Deferred income represented government grants received by the Group as financial subsidies for the purchases of feed and the construction of farms. Government grants are recognised as income over the period necessary to match the grant on a systematic basis to the costs and expenses that they are intended to compensate on over the weighted average of the expected useful life of the relevant property, plant and equipment.

**15. SHARE CAPITAL**

	<b>30 June 2021</b> <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>406,897</u>	<u>406,897</u>
Issued and fully paid:		
4,690,496,400 ordinary shares of HK\$0.01 each	<u>37,674</u>	<u>37,674</u>

**16. COMMITMENTS**

The Group had the following commitments at the end of the reporting period:

	<b>30 June 2021</b> <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Plant and machinery	<u>104,403</u>	<u>61,030</u>

## 17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sale of raw milk	<u>815,281</u>	<u>–</u>

The Group had an outstanding balance due from China Feihe Limited (included in trade receivables) amounting to RMB138,983,000 (unaudited) as at 30 June 2021 (31 December 2020: RMB119,219,000 (audited)).

- (b) Compensation of key management personnel of the Group is as follows:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short term employee benefits	1,880	2,099
Post-employment benefits	<u>261</u>	<u>158</u>
Total compensation paid to key management personnel	<u>2,141</u>	<u>2,257</u>

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

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

The consumption market was gradually improving in the first half of 2021, the first year of the 14th Five-Year Plan Period\* (五年計劃) of the People's Republic of China (the "PRC" or "China"). In the first half of 2021, total retail sales of consumer goods amounted to RMB21,190.4 billion, representing a year-on-year increase of 23.0%. A number of sectors that were badly hit by the epidemic gradually returned to normal levels. For per capita consumption expenditure, the national per capita consumption expenditure increased by 17.4% in the first half of 2021 as compared to the same period of last year. As the epidemic prevention and control became a norm, people have improved their health awareness and their consumption patterns. As a result, consumers' demand for high-quality milk products grew rapidly. At the same time, benefiting from the strong policy support of the government, the whole raw milk industry has been recovering, and the excessive demand for high-end raw milk products is expected to continue. In the first half of 2021, the demand for fresh milk increased, driving the price of raw milk upward, and the dairy industry entered a new stage of large-scale, standardized, and high-quality development.

In the first quarter of 2021, operation and sales substantially returned to normal, and the production and transportation were less affected by the epidemic, due to less disruption caused by the epidemic on the sector. The production cost of raw milk rose primarily due to increasing prices of major hay and protein feeds and other factors. On the other hand, the "Action Plan for Improving the Quality and Safety of Dairy Products" also encourages enterprises to use fresh milk to produce dairy products, which will promote the increase in the proportion of raw milk directly used in raw materials. According to the monitoring data of certain designated places issued by the Ministry of Agriculture and Rural Affairs, the average price of raw milk increased by 12.1% in the first quarter of 2021 as compared with the same period of 2020, and by 5.43% as compared with the previous quarter. At the same time, the Ministry of Ecology and Environment issued the "Guiding Opinions on Coordinating and Strengthening Responses to Climate Change and Ecological Environment Protection", which proposed to support large-scale farms to explore ways to achieve sustainable development. In the long run, animal husbandry on large-scale farms will become a trend, and China's raw milk supply market will become more concentrated in the future.

In the second quarter of 2021, thanks to the effective implementation of relevant national support policies, dairy production expanded while keeping stability, resulting in steady growth of milk output. As compared with the first quarter of 2021, reference price for trading raw milk was stabilized. In addition, the "Guiding Opinions on the Strategic Development of China's Dairy Industry during the 14th Five-Year Plan Period" also proposed that China should accelerate the modernization of the dairy industry and promote the general revitalization of the dairy industry among others. We expect a general boom for the dairy industry within 2021.

As a leading dairy farming company in the PRC, the Group will continue to maintain its diversified and intensive development strategy. By adjusting the size of the herd and improving the breeding and production technology, the Group strives to achieve better economies of scale. By adjusting the herb mix and further strengthening standardized production of milk sources, the Group will implement rigorous quality control, and strive to provide the highest quality raw milk to customers and satisfy society's increasingly diversified needs for dairy products.

## Business Review

In terms of herd size and production volume, YuanShengTai is one of the leading dairy farming companies in the PRC. During the Period, the total sales volume of raw milk of the Group increased to 179,824 tonnes from 175,469 tonnes in the same period of 2020. Total sales of fresh milk amounted to RMB837.4 million during the Period, representing an increase of 11.5% as compared with the six months ended 30 June 2020. The gross profit amounted to RMB229.0 million during the Period, representing an increase of 5.4% as compared with the same period of 2020. During the Period, the Group recorded a net profit of RMB98.0 million, representing a decrease of 20.9% as compared with RMB123.9 million in the same period of 2020. The decrease in the net profit was mainly attributable to the exchange losses. The feed cost increased by approximately 13.9% during the Period due to the increase in the price of imported hay feed amidst the epidemic. However, the Group effectively controlled certain production costs, improved sales performance and overall profitability by adjusting the feeding formula to partially offset the cost pressure caused by the increase in feed prices.

Since its early business development, the Group has built long-term and stable relationships with China's leading dairy manufacturers. During the Period, the three major customers of the Company continued to be Feihe Group, Mengniu Group and Bright Dairy Group. The revenue from these three major customers accounted for approximately 99.22% of the Group's total revenue during the Period. In the future, the three major customers will continue to expand their product portfolio and put down roots in the international market with the support of preferential policies from the government, which will definitely continue to benefit the development of the Group's business. The Group is expected to continue to supply raw milk products to its three major customers in the long term and secure the future demand for raw milk products of the Group.

## Construction of Farms

As of 30 June 2021, the Group had six farms in Heilongjiang Province, the PRC and one farm in Jilin Province, the PRC, respectively. Each farm has an actual designed capacity ranging from 6,000 to 18,000 dairy cows, and the total site area of the seven farms amounted to approximately 5,909,000 m<sup>2</sup>.

	<b>Actual Designed Capacity (Number of Cows/Head)</b>	<b>Actual Inventory Number</b>	<b>Area (m<sup>2</sup>)</b>
Gannan Farm	12,000	11,523	986,333
Kedong Heping Farm	6,000	5,765	384,000
Kedong Ruixinda Farm	18,000	10,614	784,000
Zhenlai Farm	15,000	15,404	1,066,667
Kedong Yongjin Farm	12,000	8,606	714,000
Baiquan Ruixincheng Farm	15,000	10,519	994,000
Keshan Farm	12,000	9,890	980,000
Total	<u>90,000</u>	<u>72,321</u>	<u>5,909,000</u>

### ***Milk Yield***

During the Period, the average annual milk yield per cow was 10.80 tonnes, representing an increase of 1.4% as compared with 10.65 tonnes in the first half of 2020. As the operation of farms becomes more mature and stable and the general and age mix of cattle are upgraded and optimized, the Group expects that the average milk yield of herds will continue to increase. In the future, the Group target to achieve scientific, standardized and quality management, and thus improve its profitability by adjusting the cattle mix and improving the feeding formula.

### ***Size of Our Herds***

Driven by the advanced management model of our farms, the number of dairy cows of the Group's dairy farms increased from 65,886 heads as of 30 June 2020 to 72,321 heads as of 30 June 2021. Among them, the total number of our matured milkable cows steadily increased from 34,757 heads as of 30 June 2020 to 35,057 heads as of 30 June 2021. The increase in the number of our matured milkable cows further contributed to the steady supply of quality raw milk by the Group.

	<b>30 June 2021</b>	30 June 2020
Number of matured milkable cows	<b>35,057</b>	34,757
Number of heifers and calves	<b>37,264</b>	31,129
Total number of dairy cows	<b>72,321</b>	65,886

### ***Price of Raw Milk***

During the Period, the overall domestic demand for dairy products increased, and the supply and demand relationship became balanced again but remained tight. During the Period, benefiting from the increase in the sales of dairy products from downstream customers, demand for the Group's raw milk increased, which drove the increase in milk prices. During the Period, the average selling price of the Group's raw milk was RMB4,657 per tonne, representing an increase of 8.8% as compared with RMB4,281 per tonne during same period of last year.

### ***Outlook***

With the steady recovery of the economy together with the support of a series of policies adopted by the government, the business environment of the dairy products industry has been improving. After years of development in China's dairy product market, the industry's competitive landscape has been constantly changing. The high-quality milk sources at the upstream provide guarantees for the long-term and stable development of milk manufacturing enterprises. In the future, high-quality raw milk will be produced and provided mainly by large-scale dairy farms. The proportion of large-scale farming in the raw milk industry will increase, leading to greater industry concentration and higher barriers of entry to the upstream milk source business. The Company is expected to benefit from the industry's upward cycle and further leverage its industry leader's advantages.

Looking forward to the second half of the year, with the increasing awareness of milk consumption in the post-epidemic era, it is expected that the public's demand for high-quality dairy products will continue to increase. At the same time, given the gradual diversification of dairy product sales channels, the continuous improvement of the quality control system of the domestic dairy industry, and the sustained increase of domestic dairy product brands, the increase in demand will be driven more by domestic production. At the same time, the Group will seize market opportunities and devote more money on building new farms to further expand the Company's production and overall scale of operation, thereby continuing to enhance the Company's competitiveness in the industry. While striving to expand the scale of operation, we will continue to develop high-standard large-scale farms and build a carbon-neutral and sustainable farming model. YuanShengTai will continue to provide high-quality milk sources for the society and contribute to the modernization of China's dairy industry.

## Our Revenue

During the Period, our total sales of milk produced increased by 11.5% to RMB837.4 million as compared with RMB751.3 million in the six months ended 30 June 2020. The increase of the total sales mainly benefited from an increase in the demand of raw milk. The average selling price of our raw milk reached RMB4,657 per tonne compared with RMB4,281 per tonne in the six months ended 30 June 2020, representing an increase of 8.8%. The sales volume reached 179,824 tonnes, representing an increase of 4,355 tonnes as compared with 175,469 tonnes in the six months ended 30 June 2020.

## Cost of Sales

Our cost of sales for the Period was RMB608.5 million. The table below summarizes the components of our cost of sales by nature for the six months ended 30 June 2021 and 2020:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of sales		
Feed	<b>436,084</b>	377,541
Salary, welfare and social insurance	<b>42,308</b>	33,553
Depreciation	<b>39,709</b>	38,005
Veterinary cost	<b>26,066</b>	30,820
Utility	<b>31,864</b>	31,758
Transportation expenses	<b>13,154</b>	11,060
Other cost	<b>19,291</b>	11,360
	<b><u>608,476</u></b>	<u>534,097</u>
Cost of sales, total	<b><u>608,476</u></b>	<u>534,097</u>

Feed costs represent the feed consumed by our milkable cows. The feed costs for milkable cows were RMB436.1 million and RMB377.5 million for the six months ended 30 June 2021 and 2020, respectively, representing 71.7% and 70.7% of the cost of sales for the respective six months ended 30 June 2021 and 2020. The increase in our feed costs was attributable to the increases in (i) number of milkable cows; and (ii) the proportion of concentrated feed in the adjusted feeding formula.



## **Gross Profit**

Resulted from the factors discussed above, the gross profit increased to RMB229.0 million for the Period (six months ended 30 June 2020: RMB217.2 million), representing an increase of 5.4%. Our gross profit margin decreased from 28.9% for the six months ended 30 June 2020 to 27.3% for the Period.

## **Other Income**

Other income for the six months ended 30 June 2021 and 2020 amounted to RMB20.3 million and RMB45.0 million, respectively, representing a decrease of 54.9%. The decrease in other income was mainly attributable to the decrease in exchange gains, which was due to the fluctuation of exchange rate.

## **Administrative Expenses**

We incurred administrative expenses of RMB49.8 million for the Period, representing an increase of approximately 33.9% as compared to RMB37.2 million for the six months ended 30 June 2020. The increase was attributable to the increases in wages and salaries and exchange losses caused by the depreciation of the United States dollars (“US Dollars”).

## **Other Expenses**

We incurred other expenses of RMB18.5 million for the Period from RMB9.7 million for the six months ended 30 June 2020, representing an increase of approximately 91.6%. The increase was attributable to the increase in the cost of sublease and the cost on disposal of cow-waste.

## **Profit of the Group for the period**

As a result of all the above factors and the fact that a decrease in loss on changes in fair value less cost to the sale of biological assets of RMB81.1 million was recorded in the Period (six months ended 30 June 2020: loss of RMB91.3 million) principally due to the increase in the price of the average market price for a milkable cow of 24 months old, the Group recorded a net profit of RMB98.0 million for the Period, as compared to a net profit of RMB123.9 million for the six months ended 30 June 2020. Basic earnings per share was approximately RMB2.1 cents for the Period (six months ended 30 June 2020: RMB2.6 cents).

## **Interim Dividend**

The Board has resolved not to declare the payment of any interim dividend for the Period (six months ended 30 June 2020: Nil).

## **Liquidity and Financial Resources**

For the Period, the Group’s net cash inflow from operating activities amounted to RMB315.8 million, as compared to RMB561.8 million for the six months ended 30 June 2020. As at 30 June 2021, the Group had cash and cash equivalents of RMB1,057.6 million (31 December 2020: RMB1,029.6 million), which were denominated in Renminbi.

The Company did not have any bank borrowings during the Period.

## Capital Structure

As at 30 June 2021, the Company's issued share capital was HK\$46,904,964 divided into 4,690,496,400 ordinary shares of HK\$0.01 each (the "Shares"). The Company did not issue any new Shares during the Period.

## Significant Investments Held and Future Plans for Material Investments and Capital Assets

During the Period, the principal capital expenditures of the Group were related to feeding of dairy cows, construction of new farms and major maintenance and acquisition of additional equipment for its existing dairy farms.

As part of the Group's future strategies, planned capital expenditures of the Group for its business operations will primarily be related to the construction and commencement of operations of its new dairy farms. The Group anticipates that its capital expenditures will be financed by cash generated from its operations, debt financing or bank loans, the net proceeds from the placing of new Shares in 2017 under the general mandate approved by the shareholders of the Company (the "Shareholders") and the unutilized net proceeds from the issue of new Shares under the global offering as set out in the prospectus of the Company dated 14 November 2013 (the "Prospectus"). The particulars thereof are detailed below.

Save as disclosed above and in the Prospectus, there were no significant investments held as at 30 June 2021 nor were there other plans for material investments on capital assets as at the date of this announcement.

## Use of Proceeds From the Initial Public Offering (the "IPO") and Placing of New Shares

The issued Shares were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 November 2013. Gross proceeds raised from the IPO in such connection amounted to approximately HK\$3,298 million, and the net proceeds (after deduction of listing expenses and underwriting commissions, and excluding offer proceeds which were payable to selling shareholders (i.e. not receivable by the Company)) amounted to approximately HK\$2,564 million. The net proceeds were spent broadly in accordance with the Company's plan as disclosed in the Prospectus.

The table below sets out the planned applications of the net proceeds from the IPO and the actual usage:

	<b>Planned use of net proceeds from the IPO (as stated in the Prospectus) HK\$ million</b>	<b>Actual use of net proceeds from the IPO up to 30 June 2021 HK\$ million</b>	<b>Actual use of net proceeds from the IPO during the Period HK\$ million</b>	<b>Unused net proceeds from the IPO as at 30 June 2021 HK\$ million</b>
Construction of new farms	1,923.0	1,923.0	—	—
Develop upstream operations	384.6	36.8	—	347.8
Working capital and general corporate purpose	256.4	256.4	—	—
Total	<u>2,564.0</u>	<u>2,216.2</u>	<u>—</u>	<u>347.8</u>

The unused net proceeds, being approximately HK\$347.8 million, are expected to be used in accordance with the Company's plan as disclosed in the Prospectus (i.e. to develop upstream operations) by end of 2021 subject to the overall economic conditions, the development of the Company and market situation.

The Board will continue to evaluate the Group's business strategies and change or modify the plan in line with market conditions in order to support business growth of the Group.

The Company issued 781,749,400 new Shares at a price of HK\$0.5 per Share pursuant to a placing of Shares completed on 13 January 2017 (the "**Placing**"). The net proceeds from the Placing (after deducting the placing commission payable to the placing agent and other expenses incurred in the Placing) were approximately HK\$384.6 million, which were intended to be used for importing heifers and calves from Australia and New Zealand and general working capital.

The table below sets out the planned applications of the net proceeds from the Placing and the actual usage:

	<b>Planned use of net proceeds from the Placing (as stated in the announcement of the Company dated 23 December 2016) HK\$ million</b>	<b>Actual use of net proceeds from the Placing up to 30 June 2021 HK\$ million</b>	<b>Actual use of net proceeds from the Placing during the Period HK\$ million</b>	<b>Unused net proceeds from the Placing as at 30 June 2021 HK\$ million</b>
Importing heifers and calves from Australia and New Zealand and general working capital	384.6	98.7	–	285.9
Total	<u>384.6</u>	<u>98.7</u>	<u>–</u>	<u>285.9</u>

The unused net proceeds, being approximately HK\$285.9 million, are expected to be used as intended by end of 2021 subject to the overall economic conditions, the development of the Company and market situation.

The Directors will continue to evaluate the Group's business objectives, performance and economic situation, and may change or modify plans against the changing market conditions to deploy resources and proceeds better. Announcement(s) will be made regarding any material adjustment of the use of proceeds if and when appropriate.

The remaining balance of such net proceeds was kept in licensed banks and approved financial institutions in Hong Kong and the PRC.

## **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **Pledge of Assets**

As at 30 June 2021, no assets of the Group were pledged as security for bank borrowings (31 December 2020: Nil).

## **Foreign Exchange Exposure**

Certain assets of the Group are denominated in foreign currencies such as the US dollars and Hong Kong dollars. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management.

## **Treasury Policies**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## **Capital Commitments and Contingencies**

Capital commitments of the Group as at 30 June 2021 were RMB104.4 million, which were for construction of our new farms and renewal of existing facilities. The Group did not have any significant contingent liabilities as at 30 June 2021.

## **Employees and Remuneration Policies**

As at 30 June 2021, the Group had 1,689 employees (31 December 2020: 1,552 employees), of whom one was located in Hong Kong and all the others were located in the PRC. The remuneration and staff cost for the Period was RMB79.6 million (six months ended 30 June 2020: RMB61.8 million).

The salaries of the Group's employees largely depend on their type and level of work as well as their length of service with the Group. They receive social welfare benefits and other benefits including social insurance. As required by the PRC regulations on social insurance, the Company participates in the social insurance schemes operated by the relevant local government authorities, which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. In addition, the Group has opened its housing funds accounts and started contributions to housing funds since April 2013. The Company has adopted a share option scheme for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. The Group also provides and arranges on-the-job training for the employees.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The remuneration committee of the Board regularly reviews and recommends to the Board for consideration and approval the remuneration and compensation packages of the Directors and senior management by reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

#### **Event After Reporting Period**

The Group does not have any material subsequent event after the Period and up to the date of this announcement.

### **CORPORATE GOVERNANCE AND OTHER INFORMATION**

#### **Purchase, Sale or Redemption of the Company's Listed Securities**

The Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Period.

#### **Compliance with the Corporate Governance Code**

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that the Company has complied with all the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**" and the "**CG Code**", respectively) during the Period and up to the date of this announcement.

#### **Compliance with Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. In response to specific enquiries made by the Company, all Directors confirmed that they had complied with the Model Code during the Period.

#### **Review by Audit Committee**

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code, which were revised and adopted on 29 December 2018 with effect from 1 January 2019. The Audit Committee comprises all the four independent non-executive Directors, namely Mr. Meng Jingzong (alias Owens Meng) ("**Mr. Meng**"), Mr. Zhang Yuezhou, Mr. Zhu Zhanbo and Ms. Liu Jinping. Mr. Meng is the chairman of the Audit Committee. The Company's unaudited condensed consolidated interim results for the Period has been reviewed by the Audit Committee.

**PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This results announcement is required to be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ystdfarm.com](http://www.ystdfarm.com) and [www.ystdairyfarm.com](http://www.ystdairyfarm.com)), respectively. The interim report of the Company for the Period will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course in the manner required by the Listing Rules.

By Order of the Board  
**YuanShengTai Dairy Farm Limited**  
**Zhao Hongliang**  
*Chairman*

Hong Kong, 18 August 2021

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhao Hongliang (Chairman), Mr. Fu Wenguo (Chief Executive Officer), Mr. Chen Xiangqing (Chief Financial Officer) and Mr. Liu Gang; three non-executive Directors, namely Mr. Leng Youbin, Mr. Liu Hua and Mr. Cai Fangliang; and four independent non-executive Directors, namely Mr. Meng Jingzong (alias Owens Meng), Mr. Zhang Yuezhou, Mr. Zhu Zhanbo and Ms. Liu Jinping.*