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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of YuanShengTai Dairy Farm Limited (the “**Company**” or “**YuanShengTai**”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024 (the “**Year**”) together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
REVENUE	3	2,551,898	2,208,581
Cost of sales		<u>(1,607,344)</u>	<u>(1,617,842)</u>
Gross profit		944,554	590,739
Other income and gains	3	158,738	144,008
Administrative expenses		(115,107)	(139,314)
Other expenses		(38,014)	(57,114)
Finance costs		(40,232)	(35,486)
Impairment losses on property, plant and equipment and right-of-use assets		–	(89,812)
Changes in fair value less costs to sell of biological assets		<u>(614,501)</u>	<u>(750,262)</u>
PROFIT/(LOSS) BEFORE TAX	4	295,438	(337,241)
Income tax credit/(expense)	5	<u>1,232</u>	<u>(2,458)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>296,670</u>	<u>(339,699)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>2,495</u>	<u>694</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>299,165</u>	<u>(339,005)</u>
Attributable to:			
Owners of the Company		<u>299,165</u>	<u>(339,005)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	<u>RMB6.32 cents</u>	<u>(RMB7.24 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,803,316	3,782,284
Investment properties		38,734	211,741
Right-of-use assets		63,891	73,436
Prepayments, other receivables and other assets		4,882	73,083
Biological assets		2,339,650	2,252,706
Deferred tax assets		1,537	–
		6,252,010	6,393,250
Total non-current assets		6,252,010	6,393,250
CURRENT ASSETS			
Inventories		672,945	794,466
Trade receivables	8	35,048	82,593
Prepayments, other receivables and other assets		20,771	9,172
Time deposits		303,708	70,882
Restricted cash		21,807	37,547
Cash and cash equivalents		637,594	959,068
		1,691,873	1,953,728
Total current assets		1,691,873	1,953,728
CURRENT LIABILITIES			
Trade and bills payables	9	445,332	476,602
Other payables and accruals		1,051,345	1,164,811
Interest-bearing bank borrowings	10	399,215	474,840
Lease liabilities		13,518	49,341
Tax payable		2,112	638
		1,911,522	2,166,232
Total current liabilities		1,911,522	2,166,232
NET CURRENT LIABILITIES		(219,649)	(212,504)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,032,361	6,180,746
NON-CURRENT LIABILITIES			
Other payables and accruals		450,247	384,028
Interest-bearing bank borrowings	10	485,054	872,836
Lease liabilities		30,187	157,221
Deferred tax liabilities		–	1,820
		965,488	1,415,905
Total non-current liabilities		965,488	1,415,905
Net assets		5,066,873	4,764,841
EQUITY			
Issued capital		37,674	37,674
Reserves		5,029,199	4,727,167
		5,066,873	4,764,841
Total equity		5,066,873	4,764,841

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”), and Interpretations) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets and agricultural produce which have been measured at fair value less costs to sell. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

In preparation of the consolidated financial statements for the Year, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s total current liabilities exceeded its total current assets by RMB219,649,000 (2023: RMB212,504,000). Taking into account, (i) the available credit facilities of approximately RMB524,644,000, which remain unutilised as at 31 December 2024, obtained from licensed banks; and (ii) the expected net cash inflows generated from the Group’s operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group’s financial statements.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the production and sale of raw cow milk and goat milk. The two businesses are regarded as separate operating segments by the chief operating decision maker. As the operating segments have similar economic characteristics and both operating segments are similar in respect of the nature of products and service, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the service, and the nature of the regulatory environment, both operating segments are aggregated for financial reporting purposes.

During the Year, the Group disposed the business of sale of raw goat milk to an independent third party, and no operating segment information is presented.

The Group's revenue from external customers is derived solely from its operations in Mainland China.

All external sales of milk produced by the Group during the Year are attributable to customers located in Mainland China.

All non-current assets were located in Mainland China.

During the Year, the Group made sales to major customers, the revenue from which individually contributed to more than 10% of the Group's total revenue for that year. The analysis for 2024 and 2023 is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Customer A	2,397,608	1,974,521
Others	154,290	234,060
	<u>2,551,898</u>	<u>2,208,581</u>

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sale of raw milk	<u>2,551,898</u>	<u>2,208,581</u>

(a) Disaggregated revenue information

For the year ended 31 December

Segments	2024 Sale of raw milk <i>RMB'000</i>	2023 Sale of raw milk <i>RMB'000</i>
Types of goods		
Sale of raw milk	<u>2,551,898</u>	<u>2,208,581</u>
Total	<u>2,551,898</u>	<u>2,208,581</u>
Geographical market		
Mainland China	<u>2,551,898</u>	<u>2,208,581</u>
Total	<u>2,551,898</u>	<u>2,208,581</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>2,551,898</u>	<u>2,208,581</u>
Total	<u>2,551,898</u>	<u>2,208,581</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of raw milk	<u>764,825</u>	<u>694,692</u>

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of raw milk

The performance obligation is satisfied upon delivery of the raw milk and payment is generally due within 30 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u>682,635</u>	<u>764,825</u>

An analysis of other income and gains is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other income and gains		
Government subsidies	82,072	50,751
Bank interest income	32,362	27,774
Other interest income	30	1,622
Gain on disposal of a subsidiary	19,078	–
Gross rental income from investment property operating leases	16,769	52,196
Others	<u>8,427</u>	<u>11,665</u>
Total other income and gains	<u>158,738</u>	<u>144,008</u>

4. PROFIT/(LOSS) BEFORE TAX

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Breeding costs to produce	1,161,055	1,195,214
Production costs for raw milk	<u>446,289</u>	<u>422,628</u>
Cost of sales	<u>1,607,344</u>	<u>1,617,842</u>
Depreciation of property, plant and equipment	196,494	192,931
Less: Capitalised in biological assets	<u>(88,448)</u>	<u>(96,652)</u>
Depreciation recognised in profit or loss*	<u>108,046</u>	<u>96,279</u>
Depreciation of right-of-use assets	5,289	7,757
Depreciation of investment properties	14,651	45,192
Lease payments for short-term leases	138	180
Auditors' remuneration	2,900	2,900
Changes in fair value less costs to sell of biological assets	614,501	750,262
Employee benefit expenses excluding directors' and chief executive's remuneration:		
Wages and salaries [#]	229,645	206,723
Pension scheme contributions	62,067	60,727
Equity-settled share option expense	–	3,763
Less: Capitalised in biological assets	<u>(104,308)</u>	<u>(96,125)</u>
Employee benefit expenses excluding directors' and chief executive's remuneration recognised in profit or loss**	<u>187,404</u>	<u>175,088</u>
Impairment losses on property, plant and equipment and right-of-use assets***	–	89,812
Loss on disposal of items of property, plant and equipment	10,771	278
Gain on disposal of a subsidiary	(19,078)	–
Foreign exchange differences, net	<u>(5,209)</u>	<u>(8,735)</u>

* Depreciation of approximately RMB106,722,000 (2023: RMB95,168,000) is included in the cost of sales for the Year.

** Employee benefit expenses of approximately RMB135,726,000 (2023: RMB120,177,000) is included in the cost of sales for the Year.

*** Impairment loss of RMB89,497,000 for property, plant and equipment and RMB315,000 for right-of-use assets of the goat cash-generating unit are charged to profit or loss for the year ended 31 December 2023.

[#] Included in wages and salaries, bonus of RMB2,058,000 (2023: RMB3,644,000) was contributed by the ultimate holding company's share awards.

5. INCOME TAX

No provision for Hong Kong profits tax has been made for the Year as the Group did not generate any assessable profits arising in Hong Kong during the Year (2023: Nil). Taxes on profits assessable in Mainland China have been calculated at the applicable People's Republic of China (the "PRC") corporate income tax rate of 25% (2023: 25%). Taxes on profits assessable elsewhere have been calculated at the rates 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.

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current – PRC		
Charge for the year	2,125	638
Deferred	<u>(3,357)</u>	<u>1,820</u>
Total tax (credit)/charge for the year	<u><u>(1,232)</u></u>	<u><u>2,458</u></u>

6. DIVIDENDS

No dividend was paid or proposed during the Year, nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS/(LOSS) 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 year attributable to ordinary equity holders of the Company of RMB296,670,000 (2023: loss of RMB339,699,000) and the weighted average number of ordinary shares in issue of 4,690,496,400 (2023: 4,690,496,400).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

8. TRADE RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	<u><u>35,048</u></u>	<u><u>82,593</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2024	2023
	RMB'000	RMB'000
Within 1 month	34,663	82,563
1 to 2 months	–	30
3 to 6 months	385	–
Total	35,048	82,593

No loss allowance for impairment of trade receivables for each of the reporting periods was made.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

9. TRADE AND BILLS PAYABLES

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

	2024	2023
	RMB'000	RMB'000
Within 2 months	352,232	345,871
2 to 6 months	53,524	97,912
6 to 12 months	13,851	12,499
Over 1 year	25,725	20,320
Total	445,332	476,602

10. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.90-3.85	2025	234,583	2.90-3.80	2024	224,840
Bank loans – unsecured	3.20-3.70	2025	164,632	3.60-3.85	2024	250,000
Total – current			399,215			474,840
Non-current						
Bank loans – secured	3.15-3.85	2027	485,054	3.65-3.85	2027	872,836
Total			884,269			1,347,676

	2024	2023
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	399,215	474,840
In the third to fifth years, inclusive	485,054	872,836
	<hr/>	<hr/>
Total	884,269	1,347,676
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- (a) As at 31 December 2024, all bank borrowings were denominated in RMB.
- (b) Certain of the Group's bank loan facilities up to RMB510,000,000 (2023: RMB510,000,000) as at 31 December 2024 were guaranteed by the vice president of the Group's fellow subsidiary (2023: the Group's former chief executive officer) and his wife, and a subsidiary of the Group, and were also pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB478,355,000 (2023: RMB159,616,000), of which RMB256,655,000 (2023: RMB256,654,000) was unutilised.
- (c) Certain of the Group's bank loan facilities up to RMB321,000,000 (2023: RMB321,000,000) as at 31 December 2024 were guaranteed by the vice president of the Group's fellow subsidiary (2023: the Group's former chief executive officer) and his wife, and a subsidiary of the Group, and were also pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB44,166,000 (2023: RMB39,357,000), and the Group's plant and machinery with an aggregate carrying value at the end of the reporting period of RMB25,573,000 (2023: RMB27,626,000), of which none was unutilised (2023: Nil) as at 31 December 2024.
- (d) Certain of the Group's bank loan facilities up to RMB350,000,000 (2023: RMB510,000,000) as at 31 December 2024 were guaranteed by certain subsidiaries of the Group, of which RMB18,189,000 (2023: RMB2,700,000) remain unutilised.
- (e) Certain of the Group's bank loan facilities up to RMB100,000,000 (2023: RMB100,000,000) as at 31 December 2024 were guaranteed by a director of a subsidiary and his wife, and a subsidiary of the Group, and were also pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB186,773,000 (2023: RMB192,310,000), of which RMB100,000,000 (2023: RMB62,460,000) was unutilised.
- (f) Certain of the Group's bank loan facilities up to RMB220,000,000 (2023: Nil) as at 31 December 2024 were pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB452,848,000 (2023: Nil), of which RMB149,800,000 (2023: Nil) remain unutilised.

MARKET REVIEW

Looking back on 2024, the overall global economy performed robustly. According to the forecast of the International Monetary Fund (“**IMF**”), the global economy is expected to achieve 3.2% growth in 2024. This signifies a soft landing for the global economy amidst high inflation. However, from a long-term perspective, the driving force behind global economic growth remains insufficient. The IMF predicts that, due to structural problems, such as slow productivity growth and aging population, the global economic growth rate will hover around 3.1% over the next five years, slightly lower than the average level prior to the COVID-19 pandemic. China’s national economy was generally stable and progressing steadily. According to the data released by the National Bureau of Statistics in early 2025, the annual gross domestic product amounts to RMB134,908.4 billion, representing an increase of 5.0% over the previous year at constant prices.

Regarding the industry, China’s dairy industry is still in transformation and adjustment phase. After industrial adjustment and optimization in recent years, dairy enterprises proactively adjusted their production plans, and were relieved of development pressure. But certain challenges still remain for the overall market. Regarding the output, production volume of dairy products in China began to decline since 2023, and a year-on-year decrease of 4.11% was recorded for the period from January to October 2024. However, due to the outstanding issues such as the structural surplus and the supply and demand imbalance, prices of raw milk have not gone up, exposing dairy enterprises to profit squeeze, or potentially hindering their future development.

As one of the leading dairy farming companies in the PRC, the Group will continue to actively adjust its production and operation plans in line with changes of market demand, timely adjust herd size, improve breeding and production technologies, reduce costs and increase efficiency, so as to achieve better economies of scale. YuanShengTai will adhere to producing high-quality raw milk as its fundamental development goal, continuously providing the society with more and better products, and commit itself to providing a solid quality guarantee for the nutrition of dairy products consumed by every citizen.

BUSINESS REVIEW

In terms of herd size and production volume, YuanShengTai is one of the leading dairy farming companies in the PRC. During the Year, the Group’s total sales of raw cow milk increased by 23.2% to 566,704 tonnes from 459,950 tonnes in 2023. The sales volume of raw goat milk reached 306 tonnes for the Year, representing a decrease of 67.2% as compared with 932 tonnes in 2023. Total revenue from raw milk sales amounted to RMB2,552 million, representing an increase of 15.5% as compared to the same period of 2023. During the Year, given weak demand for raw milk and the continuous decline in the average selling prices of raw milk, the Group actively adjusted its business strategies, improved quality and increased efficiency. The Group recorded a net profit of RMB296.7 million for the Year.

Since the inception of business, the Group has built a stable and long-lasting cooperative relationship with China's leading dairy manufacturers, and actively sought opportunities to build other high-quality partnerships. In 2024, the Group's major customers were Feihe Dairy Group and Yili Group, the revenue from whom account for 94.0% and 4.7% of the Group's total revenue, respectively, and in aggregate accounting for approximately 98.7% of the Group's total revenue. In 2024, due to dynamic changes of the supply and demand in the dairy consumption market, dairy enterprises were under greater business pressure. The above customers are leading dairy manufacturers in China, with a dominant market share and rich and diverse product matrix, which has a positive impact on the sustainable development of the Group's business. In the future, the Group expects to continue to supply high quality raw milk products to these two major customers on a long-term basis, and be committed to providing raw milk with the highest safety and nutritional standards in China. We will further consolidate the Group's customer base in line with the rising demand for high-end raw milk in China.

Construction of Farms

As of 31 December 2024, we had ten farms in Heilongjiang Province and one farm in Jilin Province, respectively. Each farm has an actual capacity ranging from 1,960 to 30,000 dairy cows, and the total site area of the 11 dairy cow farms amounts to approximately 9,694,458 square metres.

	Actual Designed Capacity <i>(Number of Cows/Head)</i>	Actual Inventory Number	Area <i>(m²)</i>
Gannan Farm	12,000	10,921	986,333
Kedong Heping Farm	6,000	5,915	384,000
Kedong Ruixinda Farm	18,000	10,225	784,000
Kedong Yongjin Farm	12,000	8,421	714,000
Zhenlai Farm	30,000	25,309	2,066,667
Baiquan Farm	15,000	3,742	994,000
Keshan Farm	12,000	10,221	980,000
Longjiang Ruixincheng Farm	1,960	1,431	84,300
Longjiang Jinyuan Farm	12,000	11,938	798,400
Yi'an Farm	15,000	11,292	857,713
Bei'an Farm	10,000	7,881	1,045,045
	<u>143,960</u>	<u>107,296</u>	<u>9,694,458</u>
Total	<u>143,960</u>	<u>107,296</u>	<u>9,694,458</u>

Milk Yield

During the Year, the average annual milk yield per cow was 12.7 tonnes, representing a significant increase of 9.5% as compared to 11.6 tonnes in the same period of 2023. The Group continuously adjusted and improved the operation and management mode of farms, upgraded and optimized the herd mix and enhanced the feeding formula. The average milk yield of the Group's herds is expected to maintain a stable level. In the future, the Group will continue to improve the digital breeding and management, closely follow the changes in market demand, adjust the management and layout of farms in a timely manner, and improve the profitability of the Group.

Size of Our Herds

Driven by the delicacy management model of our farms, the number of dairy cows on the Group's farms steadily increased from 102,497 heads as of 31 December 2023 to 107,296 heads as of 31 December 2024. The total number of inventory cows increased by 4.7% as compared with the same period of last year. Among them, the total number of matured milkable cows increased from 39,861 heads as of 31 December 2023 to 49,330 heads as of 31 December 2024, representing an increase of 23.8% as compared with the same period of last year. The number of heifers and calves decreased to 57,966 heads, representing a decrease of 7.5% as compared with the same period of last year. In the future, the Group will actively adjust the number of inventory cows, continue to maintain the per cow yield level of matured milkable cows and steadily increase the milk yield, so as to continuously deliver solid earnings for the Group.

	31 December 2024	31 December 2023
Number of matured milkable cows	49,330	39,861
Number of heifers and calves	57,966	62,636
Total number of cows	107,296	102,497

Price of Raw Cow Milk

The domestic dairy farming industry continuously adjusted the scale of their farms to aggressively reduce the dairy cow capacity. There was a weak rebound of market demand for dairy products which was followed by a subsequent decline. Coupled with a seasonal increase in milk yield of cows, the supply and demand have not yet reached an expected balance. Thus, prices of raw cow milk did not rise. During the Year, the Group's average selling price of raw cow milk was RMB4,500 per tonne, representing a decrease of 6.0% as compared to RMB4,787 per tonne in the same period of last year.

OUTLOOK

The dairy industry plays a crucial role in China's economic development. As an important branch of the food industry, dairy products not only provide a diverse nutritious source for people's daily diet, but also have a profound impact on agriculture, animal husbandry, industry and other fields. The development of the dairy industry is directly related to the improvement of national health standards, the optimization of agricultural structures and the modernization process of the food industry. Currently, China's dairy farming industry is at a critical development stage, characteristic of opportunities and challenges for the industry. With the rise of people's living standard and the enhanced health awareness, dairy product consumption is expected to increase year by year, further unleashing market demand potential and improving the business environment for enterprises.

To address the current structural imbalance of supply and demand in the dairy market, the Chinese government has successively introduced several strategic support policies. Five governmental authorities in the PRC, including the National Development and Reform Commission and the Ministry of Agriculture and Rural Affairs, jointly issued "Measures to Create New Consumption Scenarios and Cultivate New Growth Points for Consumption*(關於打造消費新場景培育消費新增長點的措施)", expounding plans to accelerate the formulation of relevant standards related to the dairy industry, standardize the labelling of reconstituted milk and encourage the use of raw milk to produce liquid milk. This policy will contribute to higher quality standards of the dairy industry as a whole, enhance consumers' trust in dairy products, promote healthy development of the market, and further tap into the potential of the dairy market. In addition, the current product offerings of China's dairy market are less diversified, and the industry's supply is dominated by liquid milk. With the gradual adjustment of the dairy product structure and the increasing diversification of products in the future, an increasingly rich choice of dairy products will be available, market demand will grow steadily and the industry is expected to usher in a turnaround.

Looking ahead, the Group will continue to dedicate itself to the dairy animal farming, continuously monitor the development trends of China's dairy industry and dairy cattle breeding industry, and adjust the Group's strategic development direction in a timely manner. The Group will fully leverage on its technical and resource advantages, continuously optimize production and operation plans, actively apply digital technologies, such as big data and artificial intelligence to achieve delicacy and intelligent management of the breeding process, optimize feed formulas, improve feed conversion ratio, thereby reducing comprehensive breeding costs. At the same time, the Group will actively fulfil its social responsibilities, deeply integrate the green development concept with its daily management to create eco-friendly farms, and promote sustainable development of the industry. We believe that the Group will continue to maintain its leading position in China's dairy farming industry, continuously contribute to the prosperity and development of the industry, and provide consumers with safer and more nutritious dairy products of higher quality.

Our Revenue

During the Year, our total sales of raw milk produced increased by 15.5% from RMB2,208.6 million for the year ended 31 December 2023 to RMB2,551.9 million. The sales volume of raw cow milk reached 566,704 tonnes for the Year, representing an increase of 23.2% as compared with 459,950 tonnes in 2023. The sales volume of raw goat milk reached 306 tonnes for the Year, representing a decrease of 67.2% as compared with 932 tonnes in 2023. The growth in sales volume of raw cow milk was primarily attributable to the increases in (i) herd size of matured milkable cows; and (ii) average annual milk yield per cow. Our average selling price of raw cow milk was RMB4,500 per tonne for the Year, representing a decrease of 6.0% as compared with RMB4,787 per tonne in 2023 and our average selling price of raw goat milk was RMB6,246 per tonne for the Year, representing a decrease of 12.6% as compared with RMB7,149 per tonne in 2023.

Cost of Sales

Our cost of sales for the Year was RMB1,607.3 million. The table below summarizes the components of our cost of sales by nature:

	2024	2023
	RMB'000	RMB'000
Cost of sales		
Feed	1,161,055	1,195,214
Salary, welfare and social insurance	135,726	120,177
Depreciation	106,722	95,168
Veterinary cost	51,432	59,669
Utility	100,591	97,146
Transportation expenses	7,635	5,351
Other costs	44,183	45,117
	<hr/>	<hr/>
Cost of sales, total	<u>1,607,344</u>	<u>1,617,842</u>

Feed costs represent the cost of feed consumed by our milkable cows and goats. The feed costs for milkable cows and milkable goats were RMB1,161.1 million and RMB1,195.2 million for the years ended 31 December 2024 and 2023, respectively, representing 72.2% and 73.9% of the cost of sales for the respective financial years. The decrease in our feed costs was primarily attributable to the decrease in the price of hay feed.

Gross Profit

Given the above factors, the gross profit increased to RMB944.6 million for the Year (2023: RMB590.7 million), representing an increase of 59.9% as compared with that for 2023. Our gross profit margin increased from 26.7% in 2023 to 37.0% in 2024.

Other Income and Gains

Other income and gains for the Year amounted to RMB158.7 million (2023: RMB144.0 million), representing an increase of 10.2%. The increase in other income and gains was attributable to the increases in (i) interest income; (ii) government subsidies; and (iii) a gain on disposal of a subsidiary.

Administrative Expenses

We incurred administrative expenses of RMB115.1 million for the Year (2023: RMB139.3 million), representing a decrease of approximately 17.4% as compared with 2023. The decrease was primarily attributable to the decrease in repairs and maintenance expenses.

Other Expenses

Other expenses for the Year amounted to RMB38.0 million (2023: RMB57.1 million), representing a decrease of approximately 33.5%. The decrease in other expenses was attributable to the decrease in expenses on land sub-lease incurred by Yi'an Farm upon the termination of leases.

Changes in Fair Value Less Costs to Sell of Biological Assets

Changes in fair value less costs to sell of biological assets was a loss of RMB614.5 million for the Year as compared with a loss of RMB750.3 million for 2023. The decrease in loss was attributable to the increase in number of dairy cows.

Impairment Losses on Property, Plant and Equipment and Right-of-Use Assets

During the Year, no impairment loss (2023: RMB89.8 million) was recognized for property, plant and equipment and right-of-use assets.

Profit for the Year of the Group

Taking into account all of the above factors, the Group's net profit was RMB296.7 million for the Year, as compared with a net loss of RMB339.7 million for the year ended 31 December 2023. Basic earnings per share was approximately RMB6.32 cents for the Year, as compared with basic loss per share of RMB7.24 cents for the year 2023.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2023: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

For the Year, the Group's net cash inflow from operating activities amounted to RMB1,013.8 million, as compared with RMB745.3 million in 2023. As at 31 December 2024, the Group had cash and cash equivalents of RMB637.6 million (31 December 2023: RMB959.1 million). Save for cash and cash equivalents equivalent to RMB204.0 million which were denominated in the United States dollars (“**USD**”), and RMB2.1 million which were denominated in Hong Kong dollars (“**HKD**”), the Group's remaining cash and cash equivalents were denominated in RMB.

The Group had interest-bearing bank borrowings of RMB884.3 million as at 31 December 2024 (31 December 2023: RMB1,347.7 million) which was denominated in RMB. The annual interest rate of the bank and other borrowings as at 31 December 2024 ranged from 2.90% to 3.85% (31 December 2023: ranged from 2.90% to 3.85%). The gearing ratio (calculated by dividing net debt by the equity attributable to owners of the parent plus net debt) was 11.3% (31 December 2023: 18.7%). Net debt includes interest-bearing bank borrowings, trade and bills payables, and certain other payables and accruals, less cash and cash equivalents and time deposits.

CAPITAL STRUCTURE

As at 31 December 2024, the Company's issued share capital was HK\$46,904,964 divided into 4,690,496,400 shares of HK\$0.01 each (the “**Shares**”) (31 December 2023: HK\$46,904,964 divided into 4,690,496,400 Shares of HK\$0.01 each). The Company did not issue any new Shares during the Year.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

As part of the future strategy of the Group, the Group's planned capital expenditures for its business operations will be primarily 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 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**”).

Save as disclosed above and in the Prospectus, there were no significant investments held as at 31 December 2024 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”)

The issued Shares were initially listed on 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\$3,298.0 million, and the net proceeds (after deduction of listing expenses and underwriting commissions, and excluding offer proceeds which were payable to selling shareholders of the Company (the “**Shareholders**”) (i.e. not receivable by the Company)) amounted to approximately HK\$2,564.0 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:

	Planned use of net proceeds from the IPO (as stated in the Prospectus) HK\$ million	Actual use of net proceeds from the IPO up to 31 December 2024 HK\$ million	Actual use of net proceeds from the IPO during the Year HK\$ million	Unused net proceeds from the IPO as at 31 December 2024 HK\$ million
Construction of new farms	1,923.0	1,923.0	–	–
Developing upstream operations	384.6	36.8	–	347.8
Working capital and general corporate purpose	256.4	256.4	–	–
Total	2,564.0	2,216.2	–	347.8

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 2024. As the Board is still observing the market conditions which are slowly recovering after the COVID-19 Pandemic, the expected timeline for unused net proceeds in respect of developing upstream operations will be further delayed to the end of 2025. A detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

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

MATERIAL DISPOSAL OF A SUBSIDIARY

On 12 June 2024, Harbin Ruixinda Dairy Farming Co., Ltd.* (哈爾濱市瑞信達牧業有限公司), a wholly-owned subsidiary of the Company (the “**Vendor**”) and Shaanxi Xianghe Biology Science and Technology Co., Ltd.* (陝西翔和生物科技有限公司) (the “**Purchaser**”) entered into an equity transfer agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire equity interest in Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd.* (陝西瑞祥誠達牧業有限公司), a then wholly-owned subsidiary of the Company (the “**Target Company**”), at a consideration of RMB50.2 million in cash.

Following the completion of the said disposal on 30 June 2024, the Vendor ceased to have any interest in the Target Company and the Target Company ceased to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 12 June 2024.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

PLEDGE OF ASSETS

As at 31 December 2024 and 31 December 2023, certain of the Group’s bank loans had been secured by the pledge of the Group’s assets.

FOREIGN EXCHANGE EXPOSURE

Certain assets of the Group are denominated in foreign currencies, such as the USD and HKD. 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 customers. To manage 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 COMMITMENT AND CONTINGENCIES

Capital commitment of the Group as at 31 December 2024 and 2023 were RMB10.8 million and RMB75.5 million, respectively, which were for construction of our new farms and renewal of existing facilities.

The Group did not have any significant contingent liabilities as at 31 December 2024 (2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 2,375 employees (2023: 2,389 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 Year was RMB298.5 million (2023: RMB285.0 million).

The salaries of the Group's employees largely depend on their type and level of work as well as 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 Group 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 to make contributions to housing funds since April 2013. 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 Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

Further, the remuneration committee of the Board reviews and recommends to the Board for consideration and approval of the remuneration and compensation packages of the Directors and senior management by reference to their time commitment and responsibilities, the salaries paid by comparable companies and the performance of the Group.

EVENT AFTER REPORTING YEAR

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

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

During the Year, the Company did not redeem any of the Company's listed securities nor did the Company or any of its subsidiaries purchase or sell any of such Shares (including sale of treasury shares, if any).

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 complied with all the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code during the Year.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code, which was revised on 29 December 2018. The Audit Committee comprises all the four independent non-executive Directors, namely Mr. Meng Jingzong (alias Owens Meng) (committee chairman), Mr. Zhang Yuezhou, Mr. Zhu Zhanbo and Ms. Liu Jinping. The Audit Committee has reviewed with the Company’s management team the Company’s annual consolidated results for the Year.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company’s independent auditors, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the Year. The work performed by the Company’s independent auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Company’s independent auditor on the preliminary announcement.

PUBLICATION OF INFORMATION ON DESIGNATED WEBSITES

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ystdfarm.com and www.ystdairyfarm.com), respectively. The annual report of the Company for the Year will be published on the same websites and despatched to the Shareholders in due course in the manner as required by the Listing Rules.

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

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Zhao Hongliang (Chairman), Mr. Zhang Yongjiu (Chief Executive Officer), Mr. Chen Xiangqing (Chief Financial Officer) and Mr. Liu Gang; three non-executive directors are 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.