



Lanzhou Zhuangyuan Pasture Co., Ltd.*

蘭州莊園牧場股份有限公司

(a joint stock limited liability company incorporated in the People's Republic of China)

Stock Code: 1533

2021 INTERIM REPORT



*For identification purposes only

About Us

We, Lanzhou Zhuangyuan Pasture Co., Ltd.* 蘭州莊園牧場股份有限公司 (the “Company”, together with its subsidiaries, the “Group”) are one of the leading dairy companies in Gansu Province and Qinghai Province in the PRC where our operations and sales are primarily located and we operate on a vertically integrated business model. Our business model covers the critical links of the dairy industry value chain, from dairy farming, to manufacturing, and then to marketing and sales of dairy products. Our dairy farming operations aim to ensure a stable supply of high quality raw milk for our dairy product manufacturing. We believe our business model allows stringent control over each important process of dairy production and thereby guarantees the high quality and safety of our dairy products.



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Corporate Information

BOARD OF DIRECTORS

Non-Independent Directors

Mr. Yao Gexian
Mr. Lian Enzhong
Mr. Zhang Yu
Mr. Yang Yi
Mr. Ma Hongfu
Ms. Zhang Qianyu

Independent Directors

Mr. Wang Haipeng
Mr. Zhang Yubao
Mr. Sun Jian

Supervisors

Ms. Du Wei
Mr. Wang Fengming
Mr. Wang Xuefeng

AUDIT COMMITTEE

Mr. Wang Haipeng (*Chairman*)
Mr. Zhang Yubao
Mr. Sun Jian

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wang Haipeng (*Chairman*)
Mr. Ma Hongfu
Mr. Zhang Yubao

NOMINATION COMMITTEE

Mr. Sun Jian (*Chairman*)
Mr. Yao Gexian
Mr. Wang Haipeng

STRATEGY COMMITTEE

Mr. Yao Gexian (*Chairman*)
Mr. Zhang Yubao
Mr. Xun Jian

AUTHORISED REPRESENTATIVES

Mr. Ma Hongfu
Ms. Ho Wing Yan (*ACG, ACS(PE)*)

JOINT COMPANY SECRETARIES

Ms. Zhang Qianyu (*Executive Director*)
Ms. Ho Wing Yan (*ACG, ACS(PE)*)

STOCK CODE

1533

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2703, 27/F
Shui On Centre
Nos. 6-8 Harbour Road
Wanchai, Hong Kong

REGISTERED OFFICE

Sanjiaocheng Village
Sanjiaocheng Town
Yuzhong County
Lanzhou, Gansu
PRC



Corporate Information

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

25th-26th Floors, Block B
Shanghai Building of Gansu Province
No. 601, Yanyuan Road
Chengguan District
Lanzhou City, Gansu Province
PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

LEGAL ADVISOR (AS TO HONG KONG LAW)

Wan & Tang
23/F, Somptueux Central
52 Wellington Street
Central
Hong Kong



PRINCIPAL BANK

**Agricultural Development Bank of China,
Yuzhong County Branch**
No. 19, Tai Bai Road
Yuzhong County
Lanzhou, Gansu
PRC

AUDITORS

WUYIGE Certified Public Accountants LLP
22F., Xueyuan International Tower
No. 1 Zhichun Road
Haidian District
Beijing

COMPANY WEBSITE

<http://www.lzzhuangyuan.com>



Interim Results Highlights

FINANCIAL HIGHLIGHTS

Results

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue	480,820	324,987
Gross profit	149,560	93,634
Profit for the period attributable to equity shareholders of the Company	22,854	(1,975)
Earnings per share (RMB) ⁽¹⁾	0.10	(0.01)

- Revenue increased by 47.95% as compared to the corresponding period in 2020.
- Gross profit increased by 59.73% as compared to the corresponding period in 2020.
- Profit for the period attributable to equity shareholders of the Company was RMB22,853,790.54 as compared to a loss of RMB1,975,054.39 for the corresponding period in 2020

⁽¹⁾ The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of ordinary shares in issue during the interim periods.



Management Discussion and Analysis

BUSINESS OVERVIEW

We are one of the leading dairy companies in Gansu, Shaanxi and Qinghai in the PRC where our operations and sales are primarily located and we operate on a vertically integrated business model. Our vertically integrated business model covers the critical links of the dairy industry value chain, from dairy farming, to manufacturing, and then to marketing and sales of dairy products. Our dairy farming operations aim to ensure a stable supply of high quality raw milk for our dairy product manufacturing. We owned and operated seven dairy farms as at 30 June 2021. Our strategy is to expand the herd size of dairy cows in our self-operated dairy farms and existing collectively-operated dairy farms so as to maintain quality of our raw milk at source to satisfy our dairy product manufacturing needs. We believe our vertically integrated business model allows stringent control over each important process of dairy production and thereby guarantees the high quality and safety of our dairy products.

We offer a broad range of dairy products tailored to the needs and taste preferences of different consumer groups. Our principal products sold to retail consumers, mainly through distributors and sales agents, include (i) liquid milk products, which comprise pasteurised milk (i.e. fresh milk), sterilised milk, modified milk and yogurt; and (ii) milk beverages. We place strong emphasis on our product development to continuously develop new products that meet the evolving tastes and preference of our consumers, which differentiates us from our competitors in the region.

We are a major player in the sales of “Cold Chain Liquid Milk Products” (i.e. liquid milk product(s) that has a short shelf life between 3 days to 21 days and need to be stored at low temperature of 2° C – 6° C, which include pasteurised milk and yogurt products) in the Gansu, Qinghai and Shaanxi regional markets. We believe that we are well positioned to compete in the Cold Chain Liquid Milk Products market in Gansu, Shaanxi and Qinghai due to our close proximity to the local market and our established local distribution network. We plan to continue to expand our cold chain production capacity and distribution network to increase the sales of Cold Chain Liquid Milk Products in the Gansu, Qinghai and Shaanxi regional markets and then further expand into other provinces in the northwestern China market.

While focusing on the Cold Chain Liquid Milk Products market, we also leverage on our strong brand recognition in the regional market to continue to strengthen the sales of our popular modified milk, thereby maintaining our diversified product offerings. Going forward, we intend to continue our efforts in the sales of our pasteurised milk, fermented milk and modified milk products that are popular among local customers to maintain our diversified product offerings.

Management Discussion and Analysis

Dairy farming

- *Number of dairy cows*

During the Reporting Period, our biological assets comprised dairy cows. Dairy cows are further categorised into calves, heifers and milkable cows. The following table sets out the number of our dairy cows as at 30 June 2021 and 30 June 2020:

	At 30 June 2021 Heads	At 30 June 2020 Heads
Milkable cows	8,840	5,085
Heifers	6,074	7,361
Calves	1,520	1,070
Total	16,434	13,516

- *Milk yield*

We produced approximately 43,387 tonnes of raw milk for the Reporting Period (for the corresponding period in 2020: approximately 25,426 tonnes), representing a year-on-year increase of approximately 70.64%. Such increase was mainly attributable to a significant increase in the number of milkable cows as compared with the corresponding period last year.

Our average milk yield per milkable cow per annum was 6.1~10.61 tonnes (during the six months ended 30 June 2020: 6.7~11.5 tonnes).

Dairy products production

China constantly attaches great importance to the revitalisation and development of the dairy industry. In 2018, the “Opinions on Accelerating the Revitalisation of the Dairy Industry and Ensuring the Quality and Safety of Dairy Products” (《關於加快推進奶業振興和保障乳品質量安全的意見》) was adopted in the executive meeting of the State Council. The No.1 Central Documents for 2019, 2020 and 2021 all mentioned “Implementing the Revitalisation of the Dairy Industry Program”. The “14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of the People’s Republic of China” (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) issued on 12 March 2021 clearly stated that “we should secure the supply of important agriculture products such as grain, cotton, oil, sugar, meat and milk”, navigating the remarkable development of China’s dairy industry. On 2 July 2021, the Ministry of Agriculture and Rural Affairs and the Ministry of Finance jointly issued the “Key Policies Toward Boosting Agriculture and Bringing Benefits to Farmers for 2021” (《2021年重點強農惠農政策》), in which “promoting the revitalisation of dairy industry” was explicitly incorporated.

Management Discussion and Analysis

In order to improve the quality and safety of dairy products and promote the high-quality development of dairy products industry, the State Administration for Market Supervision issued the “Action Plan for Improving the Quality and Safety of Dairy Products” (《乳製品品質安全提升行動方案》) at the end of 2020. With the national strict restrictions on the market access of dairy products processing industry and the rectification of existing dairy products processing enterprises, the market concentration of China’s dairy industry will enhance, and a majority of market shares will be seized by large enterprises with high brand awareness, great strength and remarkable scale benefits. This trend will become more obvious in the future. The nationwide market shares will be highly occupied by the national tier-1 brands and the regional market shares will be highly occupied by regional strong brands.

The industrial chain of dairy products manufacturing covers many links which are closely related such as forage, dairy farming, dairy products processing and end sales, and calls for a high degree of integration. With the narrowing of the gap between urban and rural per capita disposable income and consumption expenditure level, consumers pay more attention to healthy meals, and the overall dairy consumption market will continue to grow. In particular, given that consumers are paying more attention to the safety of milk sources, dairy enterprises will become more competitive in terms of milk sources.

In the first half of 2021, relying on stable and reliable milk sources and advanced production and processing technology, the Company consolidated traditional channels and actively explored new retail models. The “reconstruction and expansion project with daily processing 600 tons of liquid milk” project of the Company (production line number: CEMA-N032PL01) won the title of National “Quality Milk Engineering Demonstration Factory” (優質乳工程示範工廠) at the end of June 2021. Ninxia Ruiyuan Pasture Co., Ltd. (臨夏縣瑞園牧場有限公司) (Pasture No.: CEMA-N032DF001), Lanzhou Ruixing Animal Husbandry Co., Ltd. (蘭州瑞興牧業有限公司) (Pasture No.: CEMA-N032DF003) and Gansu Ruijia Animal Husbandry Co., Ltd. (甘肅瑞嘉牧業有限公司) (Pasture No.: CEMA-N032DF004), which are wholly-owned subsidiaries of the Company, were awarded the national title of “Demonstration Pasture for High Quality Milk Engineering”, respectively. In the first half of 2021, the Company achieved operating income of RMB481 million, an increase of 47.95% over the same period of last year; and the net profit was RMB22.8538 million, an increase of 1,257.12% over the same period of last year. As of the end of June 2021, the Company had total assets of RMB2,713 million, net assets of RMB1,610 million and asset-liability ratio of 40.65%.

Quality control

Product safety management and quality control are our core values and of paramount importance to our business. We implement stringent quality control and production safety management measures throughout our production process from the procurement of feeds, dairy farming, raw milk sourcing and processing to production, packaging, storage and delivery of our products.

Our quality control system is designed based on the Good Manufacturing Practices (GMPs), the Hazard Analysis and Critical Control Points (HACCP) and the Sanitation Standard Operating Procedures (SSOPs).

GMPs are the foundation for our milk safety and milk quality program. GMPs are implemented in four main areas of our dairy processing, specifying control measures in respect of (i) personnel hygiene; (ii) building and facilities; (iii) equipment and utensils; and (iv) production and process control.

Management Discussion and Analysis

In addition, we have also applied the principles of HACCP in the management of our milk safety. Our HACCP plan focuses on areas where problems potentially may occur and requires that production facilities be prepared to deal with problems immediately if they occur. Under our HACCP plan, we conducted a hazard analysis in order to identify any hazardous biological, chemical or physical properties in raw materials and processing steps. Based on the analysis, we identify the critical control points and establish monitoring procedures and use the monitoring results to streamline processes on a continuous basis. As a testament of our efforts in complying with HACCP, our production plants in Gansu, Shaanxi and Qinghai received the HACCP Certification issued by the China Quality Certification Centre and Beijing Continental Hengtong Certification Co. Ltd., respectively.

Furthermore, we have also implemented the SSOPs specifying step-by-step procedures needed for processes related to sanitation. Following the SSOPs, we focus on key sanitation conditions and requirements, such as the safety of water that comes into contact with dairy products, condition and cleanliness of contact surfaces, prevention of cross-contamination from insanitary objects to dairy product, protection of dairy products and packaging materials, labelling, storage, and use of cleaning solutions and pesticides, control of employee health conditions, and exclusion of pests from the production plant.

Our quality control system is divided into six stages: (i) control over the quality of feeds; (ii) control over the quality of dairy cows; (iii) control over sourcing and processing of raw milk; (iv) control over raw materials and suppliers; (v) control over production process; and (vi) control over storage and delivery of finished products.

Brand building

Adhering to the tenet of “Offering Excellent Quality and Creating a Brand of the Times”, the Company offers products in dozens of varieties under the series of “Zhuangyuan Ranch” (莊園牧場), “Shenghu” (聖湖) and “Dongfang Duoxian Zhuangyuan” (東方多鮮莊園), including pasteurized milk, sterilised milk, modified milk, fermented milk and milk-containing beverages, etc., in order to meet the needs of different consumer groups. After the Company completed the copyright registration of its own brand cartoon image at the end of 2020, it launched WeChat stickers and popular science animation for key products in terms of strengthening consumer engagement, popularised the knowledge of fresh low-temperature milk and conducted other activities, for which we received significant positive feedback. As the star product of the Company, “Manor Concentrated Milk” was selected as the most influential product brand in Gansu Province in the first half of 2021.

Management Discussion and Analysis

We believe the demand for premium Cold Chain Liquid Milk Products will continue to rise along with the increased awareness of the importance of nutritional products to the health and well-being of consumers. To capture the increasing demand for Cold Chain Liquid Milk Products, we plan to continue to rely on our brand advantages to expand our cold chain distribution network in Gansu, Shaanxi and Qinghai and further in northwestern China.

Financial Overview

Revenue

The following table sets out the breakdown of sales amount, sales volume and average selling price by product types for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June					
	2021			2020		
	Sales amount <i>RMB'000</i>	Sales volume <i>Tonne</i>	Average selling price <i>RMB/Tonne</i>	Sales amount <i>RMB'000</i>	Sales volume <i>Tonne</i>	Average selling price <i>RMB/Tonne</i>
Liquid Milk Products						
Pasteurised Milk	37,673	4,488	8,394	21,273	2,688	7,914
Sterilised Milk	192,284	29,597	6,497	81,433	11,426	7,127
Modified Milk	157,909	17,030	9,272	118,110	13,044	9,055
Fermented Milk	80,808	6,738	11,992	92,082	7,898	11,659
Subtotal	468,674	57,853	8,101	312,899	35,057	8,925
Milk Beverage	2,977	522	5,701	2,310	676	3,417
Other Dairy Products	1,031	38	26,886	2,418	106	22,904
Total	472,682	58,414	8,092	317,627	35,838	8,863

Our revenue increased by 48.82% from RMB317.6 million for the six months ended 30 June 2020 to RMB472.7 million for the Reporting Period, primarily due to the decline in revenue of the Company in the first half of 2021 compared with the corresponding period in last year because of at the beginning of 2020, the Company's sales declined due to the influence of COVID-19. In the first half of 2021, the Company operated smoothly and the market demand for dairy products fully recovered.

Management Discussion and Analysis

Gross profit and gross profit margin

The following table sets forth the breakdown of our cost of sales and gross profit by our product types, as well as their respective gross profit margin after biological assets fair value adjustments, for the periods indicated:

	Six months ended 30 June					
	2021			2020		
	Cost of sales	Gross Profit	Gross profit margin	Cost of sales	Gross Profit	Gross profit margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Liquid Milk Products						
Pasteurised Milk	23,017	14,657	38.9	13,571	7,702	36.2
Sterilised Milk	145,932	46,351	24.1	67,098	14,335	17.6
Modified Milk	101,812	56,097	35.5	79,612	38,498	32.6
Fermented Milk	52,995	27,813	34.4	64,326	27,756	30.1
Subtotal	323,756	144,918	30.9	224,608	88,291	28.2
Milk Beverage	2,146	832	27.9	1,765	545	23.6
Other Dairy Products	1,396	(365)	(35.4)	1,582	837	34.6
Total cost of sales/ Total gross profit/ Overall gross profit margin	327,297	145,385	30.8	227,955	89,672	28.2

Our overall gross profit margin of our dairy products after taking into account biological assets fair value adjustments was approximately 30.8% for the Reporting Period and approximately 28.2% for the corresponding period in 2020. The increase in the overall gross profit margin during the Reporting Period was primarily due to the fact that in the first half of 2020, due to the influence of COVID-19, the Company's products were slow-moving, and the gross profit margin was reduced due to the marketing policies implemented to promote sales. In 2021, the dairy product consumption market fully recovered, which was demonstrated by the strong sales of our products.

Gain/loss arising from initial recognition of agricultural produce at fair value less the cost of sales at the point of harvest

Our gain arising from initial recognition of agricultural produce at fair value less the cost of sales at the point of harvest increase from the loss of approximately RMB5.5 million for the six months ended 30 June 2020 to the gain of approximately RMB1.4 million for the Reporting Period. The increase in gains during the Reporting Period was primarily due to the increase in the price of raw milk as compared with the corresponding period of last year.

Management Discussion and Analysis

Gain/loss arising from changes in fair value less the cost of sales of biological assets

We recorded loss arising from changes in fair value less the selling expenses of biological assets amounting to approximately RMB6.3 million for the Reporting Period, compared to the gain of approximately RMB0.3 million for the corresponding period in 2020, and the change from gain into loss was primarily attributable to the feeding cost of cow as a result of the impact of market conditions.

Other income

Other income mainly includes amortization of deferred income and government grants received in the current period. Government grants are generally obtained from our agricultural activities. For the six months ended 30 June 2021 and 2020, other income recognized by us amounted to approximately RMB1.8 million and approximately RMB2.9 million, respectively.

Operating expenses

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Selling expenses	40,906	30,767
Administrative expenses	48,265	34,431
Total operating expenses	89,171	65,198

Our operating expenses increased from approximately RMB65.2 million for the six months ended 30 June 2020 to approximately RMB89.2 million for the Reporting Period.

The increase in selling and distribution expenses during the Reporting Period was mainly due to the fact that in the first half of 2021, compared with the corresponding period of last year, the dairy product consumption market fully recovered, and the sales expenses of the Company have increased with the increase of sales volume.

The increase in administration expenses was mainly due to the fact that, compared with the corresponding period of last year, Ruijia Animal Husbandry (瑞嘉牧業), one of manors of the Company, added new management personnel due to the construction, promotion and the continuous production of dairy cows, and compared with the corresponding period of last year, the Company no longer enjoyed the social insurance relief policy that was implemented by the government in response to the influence of COVID-19.

Financial expenses

Our net finance costs decreased by approximately 43.94% from approximately RMB16.5 million for the six months ended 30 June 2020 to approximately RMB9.2 million for the Reporting Period, primarily due to the decrease in the amount of loans as compared with the corresponding period of last year.

Management Discussion and Analysis

Current ratio

As at 30 June 2021, our current ratio (current assets/current liabilities) was approximately 0.83 compared to approximately 0.95 as at 31 December 2020.

Liquidity and capital resources

During the Reporting Period, we financed our operations primarily through net cash inflows from our daily operating activities. As at 30 June 2021 and 31 December 2020, we had approximately RMB310.0 million and approximately RMB631.6 million in cash and cash equivalents, respectively, which was mainly denominated in Renminbi and primarily consisted of cash on hand and bank deposits.

Capital expenditures

We had capital expenditures of approximately RMB264.9 million and approximately RMB123.3 million for the six months ended 30 June 2021 and 2020, respectively, which were primarily used in purchasing property, plant and equipment, and procuring dairy cows.

Gearing ratio

As at 30 June 2021, the Company had a gearing ratio of approximately 40.65% (as at 31 December 2020: approximately 48.33%).

Working capital

As at 30 June 2021, we had net current assets of approximately RMB(118.9) million (31 December 2020: net current assets of approximately RMB52.3 million).

Indebtedness

During the Reporting Period, our borrowings were denominated in Renminbi. As at 30 June 2021, our outstanding short-term bank loans, including long-term loans due within one year, amounted to approximately RMB220.5 million at interest rates ranging from 5.00% to 6.09% per annum. As at 30 June 2021, our outstanding long-term bank loans, net of amount due within one year, amounted to approximately RMB303.8 million at interest rates ranging from 4.15% to 5.70% per annum.

The management believes that the existing financing resources will be sufficient to meet current operations, current and future expansion plans and, if necessary, we will be able to obtain additional financing with favorable terms. There is no material effect of seasonality on our borrowing requirements.

For the Reporting Period, we were not subject to significant exposure to interest rate risk. Hence, no financial instrument for hedging was employed.

Contingent liabilities

As at 30 June 2021 and 31 December 2020, there were no significant contingent liabilities.

Management Discussion and Analysis

Foreign exchange risk and pledge of assets

The Group operates in the PRC with most of its transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's assets and liabilities as at 30 June 2021 were denominated in the respective Group companies' functional currencies.

For the Reporting Period, we were not subject to significant exposure to interest rate risk. Hence, no financial instrument for hedging was employed. The management will continue to monitor foreign currency risk and adopt prudent measures as and when appropriate.

The book value of our restricted assets was approximately RMB610.9 million as at 30 June 2021 (31 December 2020: approximately RMB787.4 million). The net book value of the restricted assets are as follow: (1) monetary capital: approximately RMB134.0 million (31 December 2020: approximately RMB215.2 million); (2) fixed assets: approximately RMB363.6 million (31 December 2020: approximately RMB454.8 million); (3) intangible assets: approximately RMB78.0 million (31 December 2020: approximately RMB82.2 million); and (4) long-term equity investments: approximately RMB35.3 million (31 December 2020: approximately RMB35.3 million).

Capital structure

Save as disclosed in this report, there was no material change in the capital structure of the Group during the Reporting Period. The capital of the Group only comprises ordinary shares.

Significant investments

The Company was established in April 2000. Its production base located in Sanjiaocheng, Yuzhong County, Lanzhou City, Gansu Province was built according to the then market size, consumer demand and industry characteristics, and was completed and put into production in 2003. After nearly 20 years, some workshops look outdated with some equipment getting obsolete. Due to limited plant area and fixed plant layout, the Company's dairy processing base in Yuzhong County is now unable to fully meet the growing demand for product diversification in the dairy consumer market and introduction of advanced dairy production processes such as filling technology.

In view of its future long-term planning and sustainable development, the Company started the "reconstruction and expansion project with daily processing 600 tons of liquid milk" in 2018. This "reconstruction and expansion project with daily processing 600 tons of liquid milk" will be built on the land where the existing production and processing base is locate with a site area of 35.70 acres and 113.82 acres of newly purchased land in 2018, that is, a total of 149.52 acres of land. An experienced and qualified engineering design institute was engaged to provide a rational and modern plan for overall layout for investment and construction. Existing obsolete production equipment with low utilization rate, long service life and outdated production technology will be demised. At the same time, new production lines will be purchased and built to increase the Company's production capacity. The capacity and output realized after the project is completed and put into operation will include the existing capacity and output of the Yuzhong processing base with some enhancement.

The Company invested approximately RMB14.5 million in 2018, approximately RMB316.7 million in 2019. As of 31 December 2019, the accumulated investment was approximately RMB 331.2 million, accounting for 12.50% of the total assets of the Company of RMB 3,080.6 million as at 31 December 2020.

Management Discussion and Analysis

The completion and acceptance work for the “reconstruction and expansion project with daily processing 600 tons of liquid milk” has been completed during the Reporting Period, and the Company has obtained the Housing Construction Project and Municipal infrastructure Project Completion Acceptance Recording Form (No. 17 2020) (《房屋建築工程 and 市政基礎設施工程竣工驗收備案表》(編號2020年第17號)), issued by the Housing and Urban-rural Development Bureau of Yuzhong County. The operation of this project will help optimize the production process and enrich the product structure; improve production efficiency and reduce labor costs; improve production standards and strengthen product quality control; and integrate the Group’s production resources for long-term development.

Currently, the Company is a professional dairy production enterprise integrating dairy farming, technology research and development, dairy processing and sales, and has formed a whole industrial chain management mode in which we process and sell liquid milk products with milk source from our own pasture as the main raw milk. The reliability of raw milk quality has been highly valued by the industry and consumers, and has become an important embodiment of our core competitiveness in the industry. In order to further strengthen the control of product quality at source, the Company invested in the construction of “Recycling Industrial Park Project of a Dairy Farm with 10,000 Dairy Cows in Jinchuan District” (金川區萬頭奶牛養殖循環產業園項目) in Shuangwan Town, Jinchuan District, Jinchang City, Gansu Province from 2019. As of 31 December 2020, the Company has made aggregate investments of RMB200.4 million in the project, accounting for 6.51% of its total assets of RMB3,080.6 million as at 31 December 2020. As of 30 June 2021, the Company has made aggregate investments of RMB268.3 million in the project, accounting for 9.89% of its total assets of RMB2,712.7 million as at 30 June 2021.

Continuing Connected Transaction – Master Purchase Agreement

On 9 February 2021, the Company entered into a master purchase agreement (the “**Master Purchase Agreement**”) with Gansu Nongken Tianmu Dairy Company Limited* (甘肅農墾天牧乳業有限公司) (“**Tianmu Dairy**”, a limited company established under the laws of the PRC and is a fellow subsidiary of the holding company of Gansu Nongken Asset Operation Company Limited* (甘肅省農墾資產經營有限公司) (“**Gansu Nongken Asset**”), a substantial shareholder of the Company) in relation to the possible purchase of raw milk from Tianmu Dairy for the year ending 31 December 2021.

As Tianmu Dairy is a fellow subsidiary of Gansu Nongken Asset, a substantial shareholder of the Company, Tianmu Dairy is regarded as an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Master Purchase Agreement is subject to the reporting, announcement and the Company’s independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The entering into the Master Purchase Agreement will contribute to the business of the Group by providing a stable source of quality raw milk required in the production process and operations of the Group. As a result of the increase in production, the Group’s revenue and net profit is expected to increase.

* For identification purpose only

Management Discussion and Analysis

The Company considers that the entering into of the Master Purchase Agreement will allow the Group to secure a stable source of quality raw milk so as to achieve the increase in production capacity brought by the expansion of its production facilities for the processing of 600 tonnes of liquid milk per day in Sanjiaocheng Village, Sanjiaocheng Town, Yuzhong County, Lanzhou, Gansu in 2018.

The Master Purchase Agreement has been approved by the Shareholders of the Company (the “**Shareholders**”) at the extraordinary general meeting of the Company held on 18 March 2021. In the first half of 2021, the amount of related party transactions was RMB27.66 million, which was within the cap of RMB200,000,000 as approved by the general meeting.

Details of the entering into the Master Purchase Agreement are set out in the announcement of the Company dated 15 January 2021 and 9 February 2021, and the circular of the Company dated 3 March 2021.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

Save as disclosed herein, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Details of future plans for material investments or capital assets and expected sources of funding

As at 30 June 2021, the Company had no future plans for material investments or capital assets.

Use of proceeds from the A Share Listing

Basic information on the proceeds raised from the A Shares Listing

As approved by the “Approval for the initial public offering of Shares of Lanzhou Zhuangyuan Pasture Co., Ltd.* (蘭州莊園牧場股份有限公司) 2017 No. 1779” issued by the CSRC on 29 September 2017, the Company carried out the public offering of 46,840,000 A Shares of RMB1 each via offline placing through price consultations to qualified investors and online issuance at an issue price of RMB7.46 per share to public investors who hold the market value of non-restricted A Shares circulated in the Shenzhen market (“**A Shares**”) on 31 October 2017 (the “**A Shares Listing**”). The total sum of funds raised was RMB349,426,400 and the total net proceeds after deduction of the related issuance expenses of RMB39,922,700 (exclusive of value-added taxes) amounted to RMB309,503,700 (the “**Raised Fund**”).

The funds utilized during the Reporting Period were RMB278,100.00 the temporary supplemental liquidities were RMB50,000,000 and the interest income of the special account for funds raised after deducting handling charges for the Reporting Period was RMB27,507.37. As of 30 June 2021, the Company had cumulatively utilized RMB260,926,230.25 out of the funds raised from the A Shares Listing. The cumulative net interest income from raised funds deducted handling fees is RMB1,501,548.01. The balance of the Raised Fund deposited in the special account was RMB50,079,017.76, and the balance of the Raised Fund unutilized was RMB50,079,017.76.

* For identification purpose only

Management Discussion and Analysis

We set out below the status of the application of the net proceeds from the A Shares Listing to 30 June 2021:

Table of actual use of raised funds from the public offering of A Shares in 2017

(RMB'000)

Total raised fund	309,504	Total raised funds invested during this year	278
Total raised funds which changed purpose during the reporting period		Total raised funds invested accumulatively	260,926
Total accumulatively raised funds which changed purpose	256,104		
The proportion of total accumulatively raised funds which changed purpose	83.00%		

Committed investment projects and use of excessive raised funds	Whether the project has been changed (including some changes)	Total committed investment of raised funds	Total investment after adjustment ⁽¹⁾	The amount invested during the Reporting Period	Accumulated amount invested as of the end of the Reporting Period ⁽²⁾	Investment progress as of the end of the Reporting Period (%) (3)=(2)/(1)	The date when the project reaches a redetermined usable state	The benefit realized during the Reporting Period	Whether it has achieved expected benefit	Whether there are significant changes on the feasibility of the project
Committed investment projects										
1. The project of cultivation and construction of 10,000 imported good dairy cows	Yes	260,193	53,400		53,400	100.00%	N/A	N/A	N/A	No
2. The construction project of self-service milk selling machines and ancillary facility	Yes	49,310					N/A	N/A	N/A	Yes
3. The acquisition of 82% equity interest of Xi'an Dongfang Dairy			150,000		150,000	100.00%	2018	N/A	N/A	No
4. Recycling Industrial Park Project of a Dairy Farm for 10,000 Dairy Cows in Jinchuan District			106,104	278	57,526	54.22%	N/A (Note)	N/A	N/A	No

Total		309,504	309,504	278	260,926	84.30%				
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Sub-total of committed investment projects		309,504	309,504	278	260,926	84.30%				
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Use of excessive raised funds

No

Repayment of bank loan (if any)

Supplemental liquidities (if any)

Sub-total of use of excessive raised funds

Total		309,504	309,504	278	260,926	84.30%				
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Note: The balance is expected to be fully utilized by the end of 2022.

Management Discussion and Analysis

USE OF PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE

On 5 December 2019, the Board approved the proposed non-public issuance of A Shares. The proposed non-public issuance of A Shares has been approved by the Shareholders at the extraordinary general meeting and the class meetings of the Company held on 17 January 2020.

On 3 April 2020, the Board approved the adjustments to non-public issuance of A Shares. The Shareholders approved the adjustments to non-public issuance of A Shares at the extraordinary general meeting and the class meetings of the Company held on 25 May 2020.

On 10 August 2020, the application for the non-public issuance was approved at the Issuance Examination Committee's 119th meeting in 2020 by voting and the Issuance Examination Committee had no audit opinion. On 25 August 2020, the Company received the Reply on Approval of Non-public Issuance of Shares by Lanzhou Zhuangyuan Pasture Co., Ltd.* (Zheng Jian Xu Ke 2020 No. 1864) (《關於核准蘭州莊園牧場股份有限公司非公開發行股票的批復》(證監許可〔2020〕1864 號)) issued by China Securities Regulatory Commission.

On 25 December 2020, an aggregate of 43,000,000 A Shares was allotted and issued (the “Non-public Issuance”) to 4 subscribers at the subscription price of RMB8.78 per A Share.

Subscriber	Number of A Shares subscribed	Subscription price
Gansu Nongken Asset	37,931,665	RMB8.78 per A Share
Xie Kai (謝愷)	2,050,113	RMB8.78 per A Share
Gao Aiping (高愛萍)	1,651,480	RMB8.78 per A Share
Su Guimin (蘇貴敏)	1,366,742	RMB8.78 per A Share
Total	43,000,000	

Each of Xie Kai, Gao Aiping and Su Guimin is a merchant. Gansu Nongken Asset is a company established in the PRC with limited liability and is principally engaged in equity investment and enterprise equity custody; project investment and investment management; enterprise asset reorganization, economic information, investment, financial advisory service. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Xie Kai, Gao Aiping, Su Guimin and Gansu Nongken Asset and its ultimate beneficial owner was a third party independent of the Company and its connected persons prior to the Non-public Issuance.

* For identification purpose only

Management Discussion and Analysis

The subscription price of RMB8.78 per subscription A Share represents (i) no less than 80% of the average trading price of the A Share for the 20 trading days preceding the price determination date, i.e. not be less than RMB8.78 per A Share (the average trading price of the A Shares of the Company for the 20 trading days prior to the price determination date = total trading amount of shares for the 20 trading days prior to the price determination date/total trading volume of A Shares for the 20 trading days prior to the price determination date); (ii) a discount of approximately 21.5% to the closing price of RMB11.18 per A Share as quoted on The Shenzhen Stock Exchange on the price determination date of the Non-public Issuance, i.e. 20 November 2020, the first day of the issue period of the Non-public Issuance of the Company; and (iii) a discount of approximately 15.8% to the closing price of RMB10.43 per A Share as quoted on The Shenzhen Stock Exchange on the day before the listing of A Share.

The aggregate gross proceeds of the Non-public Issuance were approximately RMB377,540,000. The aggregate net proceeds of the Non-public Issuance, after the deduction of related expenses, were approximately RMB368,878,786.79. The net price of each A Share allotted and issued under the Non-public Issuance were approximately RMB8.78.

The Company intends to apply the net proceeds of the Non-public Issuance for the purpose to the repayment of bank loan and finance the investment project, which can further enhance the supply ratio of the Company's own raw milk, strengthen the product quality control, address the Company's increasing demand for raw milk in the future, optimize the product mix, improve its profitability, enhance the Company's core competitiveness and promote the Company's sustainable development, which is in the interests of the Company and all Shareholders.

Please refer to the circulars of the Company dated 31 December 2019 and 6 April 2020, and the announcements of the Company dated 5 November 2020 and 22 December 2020 for details of the Non-public Issuance.

Information about the use of raised funds from the non-public offering of A Shares in 2020:

As approved by the "Reply on Approval of Non-public Issuance of Shares by Lanzhou Zhuangyuan Pasture Co., Ltd. (Zheng Jian Xu Ke 2020 No. 1864) (《關於核准蘭州莊園牧場股份有限公司非公開發行股票的批復》(證監許可(2020)1864號))" issued by the CSRC on 18 August 2020, the Company carried out the offering of 43,000,000 A Shares of RMB1 each through non-public issuance method to specific investors at an issue price of RMB8.78 per share. The total sum of funds raised was RMB377,540,000 and the total net proceeds after deduction of the related issuance expenses of RMB8,661,213.21 (exclusive of value-added taxes) amounted to RMB368,878,786.79. As of 30 November 2020, the Company has received the monetary funds raised through the public offering of A Shares. Such proceeds were verified by WUYIGE Certified Public Accountants LLP which accordingly issued its capital verification reports (Da Xin Yan Zi 2020 No. 35-00010). The Company deposited the proceeds in a special account for management purposes.

The funds utilized during the Reporting Period were RMB82,314,762.32, the temporary supplemental liquidities were RMB100,000,000.00 and the interest income of the special account for funds raised after deducting handling charges for the Reporting Period was RMB1,130,411.24. As of 30 June 2021, the Company had utilized RMB223,023,079.76 out of the funds raised from the A Shares Listing. The net interest income from the Raised Funds after deduction of handling charges was RMB1,130,411.24. The balance of the Raised Funds deposited in the special account was RMB46,986,118.27, and the balance of the Raised Funds unutilized was RMB146,986,118.27.

Management Discussion and Analysis

Table of actual use of raised funds from the non-public offering of A Shares in 2020

Unit: RMB'000

Total raised funds	368,879	Total raised funds invested during the Reporting Period	82,315
Total raised funds which changed purpose during the reporting period		Total raised funds invested accumulatively	223,023
Total accumulatively raised funds which changed purpose			
The proportion of total accumulatively raised funds which changed purpose			

	Whether the project has been changed (including some changes)	Total committed investment of raised funds	Total investment after adjustment ⁽¹⁾	The amount invested during the Reporting Period	Accumulated amount invested as of the end of the Reporting Period ⁽²⁾	Investment progress as of the end of the Reporting Period (%) (3)=(2)/(1)	The date when the project reaches a predetermined usable state	The benefit realized during the Reporting Period	Whether it has achieved expected benefit	Whether there are significant changes on the feasibility of the project
Committed investment projects										
Recycling Industrial Park Project of a Dairy Farm for 10,000 Dairy Cows in Jinchuan District	No	328,879	328,879	82,315	223,023	67.81%	N/A <i>(Note)</i>	N/A	N/A	No
Repayment of bank loan	No	40,000	40,000		40,000	100.00%				
Sub-total of committed investment projects		368,879	368,879	82,315	263,023	71.30%				
Use of excessive raised funds										
Use of excessive raised funds	No									
Repayment of bank loan (if any)										
Supplemental liquidities (if any)										
Sub-total of use of excessive raised funds										
Total		368,879	368,879	82,315	263,023	71.30%				

Note: The balance is expected to be fully utilized by the end of 2023.

Management Discussion and Analysis

Human Resources

We had 1,318 employees in Mainland China and Hong Kong as at 30 June 2021 (31 December 2020: 1,268 employees). During the Reporting Period, total staff costs, including the portion accounted for in the profit and loss statement and capitalised to assets but excluding independent non-executive directors' fees, were approximately RMB46.2 million (the corresponding period in 2020: approximately RMB32.4 million).

Our remuneration policies aim to attract, retain and incentivize talents to ensure competency of our team in implementing our business strategies and to maximize shareholder value. We will regularly review our remuneration policies and employee benefits with reference to market practices and performance of individual employees.

For the employees in the PRC, we have participated in defined contribution retirement plans and social insurance plans organised by the relevant local governmental authorities.

The Restricted Shares Incentive Scheme for 2019 (draft) was considered and approved at the meeting of the Board held by the Company on 11 March 2019; the general meeting was held on 23 May 2019 to consider and approve the Restricted Shares Incentive Scheme for 2019 (draft); the meeting of the Board was held on 21 June 2019 to consider and approve "first granting 3,341,000 restricted shares to the 84 incentive targets after adjustments" ; "Application Materials for Completion of Registration of Equity Incentive Grant" was submitted to Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited on 27 June 2019; the registration of restricted shares grant was completed on 12 July 2019. The Resolution on the Repurchase and Cancellation of All Restricted Shares in the First Release of Locked Period under the 2019 Restricted Shares Incentive Scheme was considered and approved at the Board meeting and general meeting convened by the Company on 15 January 2021 and 18 March 2021 respectively due to the Company's performance assessment failed to meet the releasing conditions in the First Release of Locked Period under the Restricted Shares Incentive Scheme, allowing the Company to repurchase and cancel a total of 874,728 Restricted Shares held by 77 Incentive Participants involved, and also allowing the Company to repurchase and cancel all of the 424,840 Restricted Shares granted but restrictions not yet released from the 7 Incentive Participants who have resigned. The procedures for the repurchase and cancellation of Restricted Shares were completed on 16 June 2021.

Corporate Social Responsibility

We believe that social responsibility is the foundation for the development of an enterprise. In our opinion, taking part in industrial poverty alleviation and social welfare activities is an important method for an enterprise to give back to the society, as well as a key way for an enterprise to achieve mutual development and advancement with the society.

Management Discussion and Analysis

FUTURE OUTLOOK

1. The Company will continue to take the production of quality dairy products as the goal on the basis of a complete set of production facilities and processes such as large-scale concentrated farming, concentrated unified milking, specialized storage, transportation and processing of fresh milk and further improve the level of dairy farming through production demonstration and technology radiation; we will strengthen the cooperation with external professional dairy farming institutions with large farming scale, rich farming experience and high product quality to form balanced, complementary and diversified supply sources of fresh and raw milk while strengthening the construction of our own milk source base. We will continue to ensure the effective connection of safe and reliable milk source with dairy product processing link to achieve the security and controllability of product quality during the whole process.
2. We will continue to strengthen the study on the consumption behaviors of dairy products consumers within the region, perfect the formula of products and optimization configuration of processes and equipment on a consumer-oriented basis, make the products to own targeted and characteristic advantages, and establish a system of consumption analysis triggering research and development, research and development satisfying consumption demands under different scenarios and maintaining the loyalty of consumers to the brand with upgrading products.
3. We will further deepen and penetrate sales channels, increase the sinking efforts of sales channels, actively expand the markets of third-tier cities and rural areas and vigorously promote the in-depth development of channels, so as to consolidate and increase market share and enhance market occupancy rate.
4. The Company will continue to conduct various forms of on-the-job trainings, improve work skills, enhance work efficiency and tamp the construction of the middle-level team. The Company will strengthen the recruitment of professional talents with market qualifications or excellent skills and give full development space and positive incentive policies to ensure the stability of the talent team and the echelon construction of the talent reserve and enhance the core competitiveness of the Company.

IMPORTANT EVENTS THAT HAVE OCCURRED SINCE 30 JUNE 2021

Continuing Connected Transaction – Silage Purchase Agreement

On 19 August 2021, the Company entered into a silage purchase agreement (the “**Silage Purchase Agreement**”) with Gansu Nongken Jinchang Farm Company Limited* (甘肅農墾金昌農場有限公司) (“**Nongken Jinchang**”, a limited liability company established under the laws of the PRC) in relation to the possible purchase of silage from Nongken Jinchang for the year ending 31 December 2021.

* For identification purpose only

Management Discussion and Analysis

Nongken Jinchang is a wholly owned subsidiary of Gansu Nongken Group Limited Liability Company* (甘肅省農墾集團有限責任公司, “**Gansu Nongken Group**”). Gansu Nongken Group is the controlling Shareholder (as defined under the Listing Rules) and is interested in 68,826,365 A Shares, representing approximately 34.89% and 29.62% of (i) the total issued A Shares; and (ii) the total issued A Shares and H Shares, respectively. Accordingly, Nongken Jinchang is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Silage Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the completion of the expansion project for processing 600 tons of liquid milk per day of the Company pursuant to the Company’s announcement dated 15 May 2020, the production capacity of the Group’s milk products has increased and the demand for silage, which is one of the Group’s main raw materials (i.e. feeds for its dairy cows) used in the Group’s production, has increased accordingly. In addition, pursuant to one of the overall arrangements made by Gansu Nongken Group which intended to consolidate the operations of dairy farms for higher efficiency, transportation distance of corn silage and alfalfa and other forage grass should be shortened, effectively reducing the breeding cost, improve the large-scale breeding efficiency, and promote the high-quality development of green and circular agricultural industry. The transactions contemplated under the Silage Purchase Agreement will contribute to the business of the Group by providing a stable and relatively nearby source of silage required in the production process and operations of the Group.

Details of the entering into the Silage Purchase Agreement are set out in the announcement of the Company dated 19 August 2021.

Save as disclosed herein, subsequent to 30 June 2021, there had been no significant change in our principal business, pricing policy and costs structure.

CORPORATE GOVERNANCE

We are committed to ensuring high standards of corporate governance at all times and in all aspects of our operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole. The Board strives to adhere to the principles of corporate governance and has further strengthened and improved its internal controls in order to undertake sound corporate governance code provisions and practices to meet the relevant statutory and commercial standards by focusing on internal control, fair disclosure and accountability to all shareholders.

Save as disclosed herein, the Company has complied with all applicable Code Provisions of the Corporate Governance Code (the “CG Code”) and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) during the Reporting Period, except the following deviation.

CODE PROVISION A.2.1

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

* For identification purpose only

Management Discussion and Analysis

Mr. Ma Hongfu concurrently held the position of the chairman of the Board and the general manager of the Company, a position equivalent to a chief executive in the PRC, until 29 June 2021. This deviates from code provision A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

The Board believed the vesting of the roles of both the chairman of the Board and the general manager of the Company in the same person can help to maintain the continuity of the policies and the stability of the operations of the Company.

The Company has been in compliance with code provision A.2.1 of the CG Code when Mr. Ma Hongfu ceased to act as the chairman of the Board and Mr. Yao Gexian was appointed as the chairman of the Board on 29 June 2021.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules regarding directors’ securities transactions. Having made specific enquiry of all Directors and the supervisors of the Company (the “Supervisors”), all the Directors and Supervisors confirm that they have complied with the required standards of the Model Code during the Reporting Period, save and except as follows:

As disclosed in the overseas regulatory announcement of the Company dated 12 March 2021, the shareholder Mr. Ma Hongfu (“Mr. Ma”) pledged (the “Share Pledge”) 30,000,000 of his A shares to Gansu Jinkong Investment Co. Ltd. (甘肅金控投資有限公司, “Gansu Jinkong”) for the purpose of third party financing guarantee.

The Board is aware that as at the date of the Share Pledge (i.e. 2 March 2021), the Directors were under the Company’s black-out period under Provision A.3(a)(i) of Appendix 10 to the Listing Rules. In addition, it is noted that the Share Pledge was not done under exceptional circumstances. Hence, the Board considers that Mr. Ma, albeit inadvertently, did not comply with the dealing prohibition as the Share Pledge occurred during the black-out period.

The Company has taken, amongst others, the following remedial actions to improve its internal control system to ensure compliance of the Model Code by the Company and its directors and supervisors and prevent similar incidents in the future:

- (1) reminding all directors and supervisors of their obligations in relation to dealings in securities as set out in the securities dealing code adopted by the Company (following the Model Code);
- (2) recommending all directors and supervisors to circulate a set of comprehensive training materials;
- (3) circulating the template of a notification letter which would be required to be submitted by the director and supervisor to the Company at least 5 working days before any proposed dealing of the securities of the Company; and
- (4) planning to organise training sessions in the near future for all directors and senior management of the Company.

Management Discussion and Analysis

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 18 March 2021, the Company convened the first extraordinary general meeting in 2021, at which the Proposal on the Repurchase and Cancellation of All Restricted Shares in the First Release of Locked Period under the 2019 Restricted Shares Incentive Scheme was considered and approved, allowing the Company to repurchase and cancel a total of 874,728 Restricted Shares held by 77 Incentive Participants involved in the First Release of Locked Period due to the Company's performance assessment failed to meet the requirements under the Restricted Shares Incentive Scheme, and allowing the Company to repurchase and cancel 424,840 Restricted Shares granted but restrictions not yet released from the 7 Incentive Participants who have resigned.

During the Reporting Period, 1,299,568 A Shares were repurchased on the Shenzhen Stock Exchange and subsequently cancelled by the Company. The summary details of the repurchases are as follows:

Month	Number of A Shares repurchased	Price per A Share		Total price paid (RMB)
		Highest (RMB)	Lowest (RMB)	
June 2021	1,299,568	6.84	6.84	8,889,045.12
Total	1,299,568			8,889,045.12

The total amount of RMB8,889,045.12 of the repurchase was paid wholly out of self-owned funds and 1,299,568 repurchased A Shares were cancelled during the Reporting Period.

Save as disclosed herein, during the Reporting Period, there was no repurchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company.

Management Discussion and Analysis

MATERIAL LITIGATION AND ARBITRATION PROCEEDINGS

1. On 13 February 2018, according to the Notice on the Closing and Relocation of Livestock Farms in the Livestock and Poultry Prohibited Area (《關於畜禽禁養區內養殖場關閉搬遷的通告》) issued by the People's Government of Litong District of Wuzhong City, Ningxia Zhuangyuan Pasture Co., Ltd. a wholly-owned subsidiary of the Company, was listed as the livestock farms planned to be closed and relocated, and the Company responded positively to the government's work arrangement and carried out the closure work. The Company has been actively negotiating compensation matters with the Litong District People's Government, but has not yet signed a compensation agreement with the People's Government of Litong District. The Company filed a lawsuit with the Intermediate People's Court of Wuzhong City and requested the People's Court to order the People's Government of Litong District of Wuzhong City to fulfil statutory obligations in accordance with the requirements of Article 25 of the Regulations on the Prevention and Control of Pollution Caused by Scale Livestock and Poultry (《畜禽規模養殖污染防治條例》) and the Regulations on Expropriation and Compensation of Houses on State-owned Land (《國有土地上房屋徵收與補償條例》) and make compensation for the loss caused by the closure and relocation of the Company's farms. Ningxia Manor received the administrative judgment issued by Wuzhong Intermediate People's Court of Ningxia Hui Autonomous Region in early August 2020 ((2020) Ning 03 Xing Chu No.6). Wuzhong Intermediate People's Court of Ningxia Hui Autonomous Region held that, because the request for administrative compensation claimed by the plaintiff Ningxia Zhuangyuan Pasture Co., Ltd. (寧夏莊園牧場有限公司) is still subjected to investigation and discretion by the people's government of Litong District, Wuzhong in order to determine the scope, standard and amount of compensation, the people's government of Litong District, Wuzhong City should handle the application for compensation for the closure and relocation submitted by the plaintiff Ningxia Zhuangyuan Pasture Co., Ltd. (寧夏莊園牧場有限公司). As of the date of this report, the parties are still in negotiation in respect of the specific amount of compensation.
2. On 25 July 2017, according to the notice on the Plan for Delineation of the Prohibited Area and Restricted Area of Livestock and Poultry in Xining City (Trial) (Ningzhengban 2017 No. 143) (《西寧市畜禽養殖禁養區限養區劃定方案(試行)》) issued by the General Office of the People's Government of Xining City, Qinghai Shengyuan Plateau Pasture Co., Ltd. a subsidiary of the Company, was included in the scope of the prohibited area. The Company respected environmental protection work arrangements and responded actively to close the relevant farm. The Company has requested the People's Government of Huangyuan County of Xining City to compensate for the relocation losses but has not yet received any response. Therefore, the Company submitted an administrative complaint to the Intermediate People's Court of Xining City in Qinghai Province in accordance with the requirements of Article 25 of the Regulations on the Prevention and Control of Pollution Caused by Scale Livestock and Poultry (《畜禽規模養殖污染防治條例》) and the Regulations on Expropriation and Compensation of Houses on State-owned Land (《國有土地上房屋徵收與補償條例》), requesting the People's Government of Huangyuan County of Xining City to make compensation. Qinghai Shengyuan had received the Administrative Judgment (2020 Qing 01 Xing Chu No. 16) served by the Intermediate People's Court of Xining City, Qinghai Province at beginning of September 2020. The Intermediate People's Court of Xining City, Qinghai Province held that the request for administrative compensation raised by the plaintiff Qinghai Shengyuan Pasture Co., Ltd. (青海聖源牧場有限公司) was still subject to investigation and assessment by the people's government of the defendant Huangyuan County People's Government of Xining City to determine the scope, standard and amount of compensation, therefore, the defendant Huangyuan County People's Government of Xining City should handle the application for compensation for the closure and relocation submitted by the plaintiff Qinghai Shengyuan Ranch Co., Ltd.. After

Management Discussion and Analysis

the judgment was made in the first instance, on 30 November 2020, the People's Government of Huangyuan County sent the Reply Letter from the People's Government of Huangyuan County on the Closing and Relocation of Qinghai Shengyuan Pasture Co., Ltd. (Yuan Zheng Han 2020 No. 27) to the Qinghai Shengyuan Pasture Co., Ltd., and decided to grant land transfer fees of RMB498,000.00 to 80 households in Chihan Village, Dahua Town in 2019 and 2020 after the closure of the pasture of Shengyuan Pasture. In accordance with the Article 25 of the Regulations on the Prevention and Control of Pollution Caused by Scale Livestock and Poultry (《畜禽規模養殖污染防治條例》) and the Regulations on Expropriation and Compensation of Houses on State-owned Land (《國有土地上房屋徵收與補償條例》), the plaintiff Qinghai Shengyuan Pasture suffered from economic losses due to policy relocation, and the defendant Huangyuan County People's Government of Xining City should compensate Qinghai Shengyuan Pasture according to the laws. However, the defendant Huangyuan County People's Government of Xining City did not make substantive compensation plans or opinions on the losses incurred by the plaintiff Qinghai Shengyuan Pasture due to policy relocation, and its reply neither conformed to the objective fact that the plaintiff Qinghai Shengyuan Pasture suffered from huge economic losses due to policy relocation, nor conformed to the legal provisions. In order to safeguard the legitimate rights and interests of the Company and all shareholders, Qinghai Shengyuan Pasture submitted an administrative complaint to Xining Intermediate People's Court of Qinghai Province on 18 February 2021. Qinghai Shengyuan Pasture received a court summons issued by Xining Intermediate People's Court of Qinghai Province on 2 July 2021 on the administrative compensation case of Qinghai Shengyuan Pasture suing Huangyuan County People's Government of Xining City. The summons informed that Qinghai Shengyuan Pasture sued Huangyuan County People's Government of Xining City for administrative compensation, and a court hearing will be on 21 July 2021. After that, Qinghai Shengyuan Pasture received the notice of temporary change of hearing date from Xining Intermediate People's Court on 20 July 2021, and the trial date for the case in which Qinghai Shengyuan Ranch sued Huangyuan County People's Government of Xining for administrative compensation was changed to 3 August 2021. The above-mentioned case was heard normally on 3 August 2021. As at the date of this report, the results of trial were not released.

SHARE OPTION SCHEME

There is no share option scheme (pursuant to Chapter 17 of the Listing Rules) adopted for the Company during the Reporting Period.

Other Information

DIRECTORS' AND SUPERVISORS' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and/or short positions of the Directors, Supervisors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of Interest	Total Number of Shares	Approximate percentage of total issued A Shares	Approximate percentage in the issued share capital of the Company
A Shares				
Ma Hongfu (<i>Note 2</i>)	Beneficial owner	32,197,400 (L)	16.32%	13.86%
	Interested in controlled corporation	15,000,000 (L)	7.60%	6.45%
Zhang Qianyu	Beneficial owner	75,600	0.04%	0.03%
Wang Xuefeng	Beneficial owner	18,900	0.01%	0.01%

Notes:

- (1) All interests in shares were long positions.
- (2) Mr. Ma Hongfu holds 39.44% equity interests in Gansu Lucky Cow Business Consulting Co., Ltd.* (甘肅福牛商務諮詢有限公司) (“Lucky Cow”). Under the SFO, he is deemed to be interested in the shares held by Lucky Cow.

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors or chief executive of the Company nor their associates had any interest and/or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

* For identification purpose only

Other Information

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

As at 30 June 2021, as far as known to the Directors, the following persons or entities (not being a Director, a Supervisor or a chief executive of the Company) who had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of Interest	Total Number of Shares	A Shares/H Shares (as applicable)	Approximate percentage of total issued	Approximate percentage in the issued share capital of the Company
A Shares					
Gansu Nongken Group Limited Liability Company* (甘肅省農墾集團有限責任公司) ("Gansu Nongken Group") (Note 2)	Interest of controlled corporation	68,826,365		34.89%	29.62%
Gansu Nongken Asset (Note 2)	Beneficial owner	37,931,665		19.23%	16.32%
Lanzhou Zhuangyuan Investment Co., Ltd.* (蘭州莊園投資有限公司) ("Zhuangyuan Investment") (Note 2)	Beneficial owner	30,894,700 (L)		15.66%	13.29%
Gansu Lucky Cow Business Consulting Co., Ltd.* (甘肅福牛商務諮詢有限公司) (Note 3)	Beneficial owner	15,000,000 (L)		7.60%	6.45%
H Shares					
Hu Keliang	Beneficial owner	5,844,000 (L)		16.64%	2.51%
Li Yanling (Note 4)	Interests of spouse	5,844,000 (L)		16.64%	2.51%
Wang Wei (Note 5)	Beneficial owner	800,000 (L)		2.28%	0.34%
	Interest of controlled corporation	2,800,000 (L)		7.97%	1.20%
Li Qi (Note 5)	Interests of spouse	3,600,000 (L)		10.25%	1.55%

Other Information

Name of Substantial Shareholder	Nature of Interest	Total Number of Shares	Approximate percentage of total issued A Shares/H Shares (as applicable)	Approximate percentage in the issued share capital of the Company
Venko Limited (Note 5)	Beneficial owner	2,800,000 (L)	7.97%	1.20%
Ren Qifeng (Note 6)	Interest of controlled corporation	3,523,000 (L)	10.03%	1.52%
Ren Songliu (Note 6)	Interests of spouse	3,523,000 (L)	10.03%	1.52%
Technoart Investments Limited (Note 6)	Beneficial owner	3,523,000 (L)	10.03%	1.52%
Zhang Fenmei	Beneficial owner	3,379,000 (L)	9.62%	1.45%

Notes:

- All interests in shares were long positions.
- The share capital of Gansu Nongken Asset and Zhuangyuan Investment were wholly owned by Gansu Nongken Group. Accordingly, Gansu Nongken Group was deemed to be interested in the A Shares held by Gansu Nongken Asset and Zhuangyuan Investment.
- Mr. Ma Hongfu holds 39.44% equity interests in Lucky Cow. Under the SFO, he is deemed to be interested in the shares held by Lucky Cow.
- Ms. Li Yanling is the spouse of Mr. Hu Keliang. Therefore, Ms. Li Yanling is deemed to be interested in the shares in which Mr. Hu Keliang is interested by virtue of the SFO.
- The entire issued share capital of Venko Limited is beneficially owned by Mr. Wang Wei who is deemed to be interested in the shares held by Venko Limited by virtue of the SFO. Mr. Wang Wei is also beneficially interested in 800,000 H Shares. Ms. Li Qi is the spouse of Mr. Wang Wei. Therefore, Ms. Li Qi is deemed to be interested in the shares in which Mr. Wang Wei is interested by virtue of the SFO.
- The entire issued share capital of Technoart Investments Limited is beneficially owned by Mr. Ren Qifeng who is deemed to be interested in the shares held by Technoart Investments Limited by virtue of the SFO. Ms. Ren Songliu is the spouse of Mr. Ren Qifeng. Therefore, Ms. Ren Songliu is deemed to be interested in the shares in which Mr. Ren Qifeng is interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any other persons (other than Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Information

REVIEW OF INTERIM RESULTS

The Company has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Haipeng, Mr. Zhang Yubao, Mr. Sun Jian and Mr. Wang Haipeng is the chairman of the Audit Committee. The Audit Committee is responsible for, amongst other matters, reviewing and supervising the Group’s financial reporting process and internal control system and providing advice and recommendations to the Board. The Audit Committee has amongst others, reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Group’s internal controls and financial reporting matters, including the review of the unaudited interim results of the Group for the Reporting Period.

DIVIDEND

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information known to the Directors and publicly available to the Company, as at the date of this report, the Company has maintained a sufficient public float of 25% of the Company’s issued share capital as required under the Listing Rules.

By order of the Board

Lanzhou Zhuangyuan Pasture Co., Ltd.*

Yao Gexian

Chairman of the Board

Lanzhou, the PRC, 27 August 2021

* *For identification purpose only*

Review Report

To all shareholders of Lanzhou Zhuangyuan Pasture Co., Ltd.,

We have reviewed the accompanying financial statements of Lanzhou Zhuangyuan Pasture Co., Ltd. (“Zhuangyuan Pasture”), which comprise the consolidated and the parent company’s balance sheets as at 30 June 2021, and the consolidated and the parent company’s income statements, the consolidated and the parent company’s cash flow statements for January to June 2021 and the consolidated and the parent company’s statements of changes in shareholders’ equity for January to June 2021, and the notes to the financial statements. The preparation of these financial statements is the responsibility of Zhuangyuan Pasture’s management. Our responsibility is to issue a report on review of these financial statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101 — Review of Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether these financial statements are free from material misstatements. A review is limited primarily to procedures as enquiry of entity’s personnel and analytical review procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not prepared in accordance with the requirement of Accounting Standards for Business Enterprises and cannot present fairly, the reviewed entity’s consolidated and the parent company’s financial position as at 30 June 2021, and the consolidated and the parent company’s operating results and cash flows for January to June 2021.

WUYIGE Certified Public Accountants LLP

Chinese Certified Public Accountant: Li Zongyi

Beijing, the PRC

Chinese Certified Public Accountant: Zhang Yingli

27 August 2021

Consolidated Balance Sheet

As at 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Current assets:			
Monetary funds		444,019	846,729
Trade receivables	II. 1	37,260	41,586
Prepayments		5,044	7,998
Other receivables		6,980	20,792
Including: Interest receivable			
Dividend receivable			
Inventories		91,776	113,625
Other current assets		10,951	10,738
Total current assets		596,029	1,041,467
Non-current assets:			
Other equity instrument investments		44	44
Fixed assets		1,135,472	1,179,537
Construction in progress		225,978	152,093
Bearer biological assets	II. 2	509,132	494,691
Right-of-use assets		46,754	53,784
Intangible assets		96,530	97,156
Long-term deferred expenses		3,837	4,246
Deferred tax assets		2,516	2,502
Other non-current assets		96,434	55,037
Total non-current assets		2,116,698	2,039,091
Total assets		2,712,727	3,080,558

Consolidated Balance Sheet (Continued)

As at 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Current liabilities:			
Short-term borrowings		158,160	322,337
Bills payable		260,000	431,160
Accounts payable	<i>II. 3</i>	159,172	214,105
Contract liabilities		7,637	10,669
Employee remuneration payable		4,873	6,226
Taxes payable		6,601	6,419
Other payables		50,285	52,990
Including: Interests payable			
Dividends payable	<i>II. 13</i>	4,674	
Non-current liabilities due within one year		67,213	48,422
Other current liabilities		1,011	1,448
Total current liabilities		714,952	1,093,777
Non-current liabilities:			
Long-term borrowings		303,815	311,281
Lease liabilities		41,108	40,483
Estimated liabilities		497	490
Deferred income		36,875	37,059
Deferred income tax liabilities		5,467	5,633
Total non-current liabilities		387,762	394,947
Total liabilities		1,102,714	1,488,724

Consolidated Balance Sheet (Continued)

As at 30 June 2021 - unaudited
(Expressed in RMB)

Item	<i>Note</i>	30 June 2021 RMB'000	31 December 2020 RMB'000
Shareholders' equity:			
Share capital		232,381	233,681
Capital reserve		846,834	854,580
Less: Treasury stocks		14,206	23,251
Surplus reserve		43,387	43,387
Undistributed profits		501,617	483,437
Total equity attributable to shareholders of the parent		1,610,014	1,591,834
Minority Shareholders' equity			
Total Shareholders' equity		1,610,014	1,591,834
Total liabilities and Shareholders' equity		2,712,727	3,080,558

Consolidated Income Statement

For the six months ended 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	January to June 2021 RMB'000	January to June 2020 RMB'000
I. Total operating income		480,820	324,987
Including: operating income	<i>II. 4</i>	480,820	324,987
II. Total operating cost		438,850	321,243
Including: Operating cost	<i>II. 4</i>	331,259	231,353
Taxes and surcharges		5,261	3,024
Selling expenses	<i>II. 5</i>	40,906	30,767
Administrative expenses	<i>II. 6</i>	48,265	34,431
Research and development expenses	<i>II. 7</i>	3,915	5,178
Financial expenses	<i>II. 8</i>	9,244	16,490
Including: Interest expenses		12,388	15,750
Interest income		3,361	2,241
Add: Other income		1,776	2,943
Investment income		(3,344)	(5,175)
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortised cost		(3,344)	(5,175)
Gains from changes in fair value	<i>II. 9</i>	(4,951)	(5,164)
Impairment losses on credit		113	(119)
Impairment losses on asset		(591)	
Gains from asset disposal		(538)	
III. Operating profit		34,434	(3,771)
Add: Non-operating income		780	365
Less: Non-operating expenses		9,519	238
IV. Total profit		25,695	(3,644)
Less: Income tax expenses	<i>II. 11</i>	2,841	(1,669)
V. Net profit		22,854	(1,975)
(I) Classification by operating continuity:			
1. Net profit from continuing operations		22,854	(1,975)
2. Net profit from discontinued operations			
(II) Classification by ownership:			
1. Net profit attributable to shareholders of the Parent Company		22,854	(1,975)
2. Minority shareholders' profits and losses			
VI. Other net comprehensive income after tax			
VII. Total comprehensive income		22,854	(1,975)
Total comprehensive income attributable to the owners of the Parent Company		22,854	(1,975)
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)	<i>II. 12</i>	0.1	(0.01)
(II) Diluted earnings per share (RMB/share)		0.1	(0.01)

Consolidated Cash Flow Statement

For the six months ended 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	January to June 2021 RMB'000	January to June 2020 RMB'000
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		536,650	358,527
Refund of taxes and levies			914
Other cash received relating to operating activities		12,047	36,134
Sub-total of cash inflows from operating activities		548,697	395,575
Payment for goods and services		297,053	207,073
Payment to and for employees		47,549	31,276
Payment of various taxes and levies		40,473	13,468
Payment for other cash relating to operating activities		57,278	54,144
Sub-total of cash outflows from operating activities		442,353	305,962
Net cash flows from operating activities		106,344	89,614
II. Cash flows from investing activities:			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		11,262	11,439
Other cash received relating to investing activities		14,106	41,233
Sub-total of cash inflows from investing activities		25,368	52,672
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		264,893	123,284
Sub-total of cash outflows from investing activities		264,893	123,284
Net cash flows from investing activities		(239,525)	(70,612)
III. Cash flows from financing activities:			
Cash received from borrowings		122,000	308,500
Other cash received relating to financing activities		241,320	194,492
Sub-total of cash inflows from financing activities		363,320	502,992
Cash paid for repayments of borrowings		272,749	295,484
Cash paid for dividends, profit distributions or interest		12,388	15,710
Including: Dividend and profit paid by the subsidiaries to minority shareholders			
Other cash paid relating to financing activities		266,545	97,008
Sub-total of cash outflows from financing activities		551,682	408,202
Net cash flow from financing activities		(188,362)	94,789
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		(4)	9
V. Net increase in cash and cash equivalents			
		(321,546)	113,800
Add: Balance of cash and cash equivalents at the beginning of the period		631,565	248,235
VI. Balance of cash and cash equivalents at the end of the period			
		310,019	362,035

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2021 - unaudited
(Expressed in RMB)

Item	January to June 2021								
	Attributable to shareholders of the parent company							Minority shareholders' equity RMB'000	Total shareholders' equity RMB'000
	Share capital RMB'000	Capital reserves RMB'000	Less: treasury shares RMB'000	Other comprehensive income RMB'000	Surplus reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
I. Balance at the end of the previous year	233,681	854,580	23,251		43,387	483,437	1,591,834		1,591,834
Add: Change in accounting policies									
Prior-period error correction									
Business combination under the common control									
Others									
II. Balance at the beginning of the year	233,681	854,580	23,251		43,387	483,437	1,591,834		1,591,834
III. Increase/decrease amount during the period	(1,300)	(7,745)	(9,045)			18,180	18,180		18,180
(I) Total comprehensive income						22,854	22,854		22,854
(II) Invested and reduced capitals of shareholders	(1,300)	(7,745)	(9,045)						
1. Common share contributed by shareholders	(1,300)	(7,745)	(9,045)						
2. Capital contributed by other equity instrument holders									
3. Amount of share-based payment included in shareholders' equities									
4. Others									
(III) Appropriation of profits						(4,674)	(4,674)		(4,674)
1. Withdrawal of surplus reserve									
2. Appropriation to general risk provision									
3. Distributions to shareholders						(4,674)	(4,674)		(4,674)
4. Others									
(IV) Internal carry-over of shareholders' equity									
1. Share capital transferred with capital reserves									
2. Share capital transferred with surplus reserves									
3. Surplus reserve to cover the losses									
4. Transferred the balance of defined benefits plan to retained earnings									
5. Transferred other comprehensive income to retained earnings									
6. Others									
IV. Balance at the end of the period	232,381	846,834	14,206		43,387	501,617	1,610,014		1,610,014

Consolidated Statement of Changes in Shareholders' Equity (Continued)

For the six months ended 30 June 2021 - unaudited

(Expressed in RMB)

Item	January to June 2020								
	Attributable to shareholders of the parent company							Minority shareholders' equity	Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Surplus reserves	Retained earnings	Sub-total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
I. Balance at the end of the previous year	190,681	531,119	23,251		43,387	483,471	1,225,407		1,225,407
Add: Change in accounting policies									
Prior-period error correction									
Business combination under the common control									
Others									
II. Balance at the beginning of the year	190,681	531,119	23,251		43,387	483,471	1,225,407		1,225,407
III. Increase/decrease amount during the period (if decrease, denoted as "-")									
(I) Total comprehensive income						(1,975)	(1,975)		(1,975)
(II) Invested and reduced capitals of shareholders		(204)					(204)		(204)
1. Common share contributed by shareholders									
2. Capital contributed by other equity instrument holders									
3. Amount of share-based payment included in shareholders' equities		(204)					(204)		(204)
4. Others									
(III) Appropriation of profits						(10,487)	(10,487)		(10,487)
1. Withdrawal of surplus reserve									
2. Appropriation to general risk provision									
3. Distributions to shareholders						(10,487)	(10,487)		(10,487)
4. Others									
(IV) Internal carry-over of shareholders' equity									
1. Share capital transferred with capital reserves									
2. Share capital transferred with surplus reserves									
3. Surplus reserve to cover the losses									
4. Transferred the balance of defined benefits plan to retained earnings									
5. Transferred other comprehensive income to retained earnings									
6. Others									
IV. Balance at the end of the period	190,681	530,916	23,251		43,387	471,008	1,212,741		1,212,741

Balance Sheet of the Parent Company

As at 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Current assets:			
Monetary funds		153,515	468,006
Bills receivable		17,527	15,097
Prepayments		2,690	5,312
Other receivables		484,514	495,026
Including: Interests receivable			
Dividends receivable			
Inventories		25,701	27,705
Other current assets		10,944	10,731
Total current assets		694,892	1,021,877
Non-current assets:			
Long-term equity investments		1,002,734	1,002,734
Other equity instrument investment		44	44
Fixed assets		450,422	486,667
Construction in progress		39,054	18,260
Right-of-use assets		1,959	2,669
Intangible assets		56,532	56,460
Long-term deferred expenses		3,837	4,246
Deferred income tax assets		2,368	2,348
Other non-current assets		56,667	20,544
Total non-current assets		1,613,617	1,593,973
Total assets		2,308,509	2,615,849
Current liabilities:			
Short-term borrowings		110,092	282,268
Bills payable		260,000	431,160
Accounts payable		52,377	78,542
Contract liabilities		4,985	8,375
Employee benefits payable		2,940	3,358
Taxes payable		3,621	3,937
Other payables		185,762	120,867

Balance Sheet of the Parent Company (Continued)

As at 30 June 2021 - unaudited
(Expressed in RMB)

Item	<i>Note</i>	30 June 2021 RMB'000	31 December 2020 RMB'000
Including: interest payable			
Dividends payable		4,674	
Non-current liabilities due within one year		63,830	43,795
Other current liabilities		648	1,108
Total current liabilities		684,255	973,409
Non-current liabilities:			
Long-term borrowings		163,625	185,129
Lease liabilities		735	1,879
Estimated liabilities		5	6
Deferred income		14,555	15,036
Deferred income tax liabilities		1,215	1,215
Total non-current liabilities		180,135	203,265
Total liabilities		864,390	1,176,674
Shareholders' equity:			
Share capital		232,381	233,681
Capital reserves		869,346	877,091
Less: treasury shares		14,206	23,251
Other comprehensive income			
Surplus reserves		43,387	43,387
Retained earnings		313,210	308,266
Total shareholders' equities		1,444,119	1,439,175
Total liabilities and shareholders' equities		2,308,509	2,615,849

Income Statement of the Parent Company

For the six months ended 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	January to June 2021 RMB'000	January to June 2020 RMB'000
I. Operating income		312,423	221,444
Less: operating costs		234,506	179,778
Taxes and surcharges		2,808	1,224
Selling expenses		27,266	17,950
Administrative expenses		17,391	15,113
R&D expenses		2,554	4,505
Financial expenses		10,380	15,287
Including: interest expenses		11,646	14,557
Interest income		1,399	2,118
Add: other income		955	1,053
Impairment losses on credit		(24)	25
Impairment losses on asset		(591)	
Gain on disposal of assets		(146)	
II. Operating profit		17,713	(11,335)
Add: non-operating income		225	227
Less: non-operating expenses		6,592	23
III. Total profits		11,346	(11,132)
Less: income tax expense		1,728	(1,670)
IV. Net profit		9,618	(9,462)
1. Net profit from continuing operation		9,618	(9,462)
2. Net profit from discontinued operation			
V. Net other comprehensive income after tax			
VI. Total comprehensive income		9,618	(9,462)
VIII. Earnings per share			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Cash Flow Statement of the Parent Company

For the six months ended 30 June 2021 - unaudited
(Expressed in RMB)

Item	Note	January - June 2021 RMB'000	January - June 2020 RMB'000
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		345,821	241,148
Refund of taxes and levies			914
Other cash received relating to operating activities		120,066	198,139
Sub-total of cash inflows from operating activities		465,887	440,201
Payment for goods and services		138,641	103,081
Payment to and for employees		19,971	13,052
Payment of various taxes		9,667	4,105
Payment for other cash relating to operating activities		39,958	38,376
Sub-total of cash outflows from operating activities		208,237	158,614
Net cash flows from operating activities		257,650	281,587
II. Cash flows from investment activities:			
Cash from redemption of investments			
Cash received from investment gains			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			576
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		14,106	22,333
Sub-total of cash inflows from investing activities		14,106	22,910
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		70,764	20,810
Cash paid for investments			170,000
Net cash paid for acquisition of subsidiaries and other business units			
Payment paid for other cash relating to investing activities			
Sub-total of cash outflows from investing activities		70,764	190,810
Net cash flows from investing activities		(56,658)	(167,900)
III. Cash flows from financing activities:			
Cash received from investments			268,500
Cash received from borrowings			35,507
Other cash received relating to financing activities		78,364	304,007
Sub-total of cash inflows from financing activities		78,364	304,007
Cash paid for debt repayment		232,749	286,174
Cash paid for dividends, profit distributions or interest		16,320	14,467
Other cash paid relating to financing activities		263,610	94,749
Sub-total of cash outflows from financing activities		512,680	395,390
Net cash flows from financing activities		(434,316)	(91,383)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		(4)	9
V. Net increase in cash and cash equivalents			
		(233,327)	22,313
Add: Balance of cash and cash equivalents at the beginning of the period		252,842	193,920
VI. Balance of cash and cash equivalents at the end of the period			
		19,515	216,233

Statement of Changes in Shareholders' Equity of the Parent Company

For the six months ended 30 June 2021 - unaudited
(Expressed in RMB)

Item	January - June 2021						Total shareholders' equity RMB'000
	Share capital RMB'000	Capital reserves RMB'000	Less: treasury shares RMB'000	Other comprehensive income RMB'000	Surplus reserves RMB'000	Retained earnings RMB'000	
I. Balance at the end of the previous year	233,681	877,091	23,251		43,387	308,266	1,439,175
Add: Change in accounting policies							
Prior-period error correction							
Others							
II. Balance at the beginning of the year	233,681	877,091	23,251		43,387	308,266	1,439,175
III. Increase/decrease amount during the period	(1,300)	(7,745)	(9,045)			4,944	4,944
(I) Total comprehensive income						9,618	9,618
(II) Invested and reduced capitals of shareholders	(1,300)	(7,745)	(9,045)				
1. Common share contributed by shareholders	(1,300)	(7,745)	(9,045)				
2. Capital contributed by other equity instrument holders							
3. Amount of share-based payment included in shareholders' equities							
4. Others							
(III) Appropriation of profits						(4,674)	(4,674)
1. Withdrawal of surplus reserve							
2. Distributions to shareholders						(4,674)	(4,674)
3. Others							
(IV) Internal carry-over of shareholders' equity							
1. Share capital transferred with capital reserves							
2. Share capital transferred with surplus reserves							
3. Surplus reserve to cover the losses							
4. Transferred the balance of defined benefits plan to retained earnings							
5. Transferred other comprehensive income to retained earnings							
6. Others							
(V) Special reserve							
1. Withdraw amount in the period							
2. Utilized amount in the period							
(VI) Others							
IV. Balance at the end of the period	232,381	869,346	14,206		43,387	313,210	1,444,119

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

For the six months ended 30 June 2021 - unaudited

(Expressed in RMB)

Item	January - June 2020						
	Share capital RMB'000	Capital reserves RMB'000	Less: treasury shares RMB'000	Other comprehensive income RMB'000	Surplus reserves RMB'000	Retained earnings RMB'000	Total shareholders' equity RMB'000
I. Balance at the end of the previous year	190,681	553,631	23,251		43,387	353,213	1,117,662
Add: Change in accounting policies							
Prior-period error correction							
Others							
II. Balance at the beginning of the year	190,681	553,631	23,251		43,387	353,213	1,117,662
III. Increase/decrease amount during the Period (if decrease, denoted as "-")		(204)				(19,949)	(20,153)
(I) Total comprehensive income						(9,462)	(9,462)
(II) Invested and reduced capitals of shareholders		(204)					(204)
1. Common share contributed by shareholders							
2. Capital contributed by other equity instrument holders							
3. Amount of share-based payment included in shareholders' equities		(204)					(204)
4. Others							
(III) Appropriation of profits						(10,487)	(10,487)
1. Withdrawal of surplus reserve							
2. Distributions to shareholders						(10,487)	(10,487)
3. Others							
(IV) Internal carry-over of shareholders' equity							
1. Share capital transferred with capital reserves							
2. Share capital transferred with surplus reserves							
3. Surplus reserve to cover the losses							
4. Transferred the balance of defined benefits plan to retained earnings							
5. Transferred other comprehensive income to retained earnings							
6. Others							
IV. Balance at the beginning of the period	190,681	553,427	23,251		43,387	333,264	1,097,509

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

I. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the “Accounting Standards for Business Enterprises – Basic Standards” (issued by the Ministry of Finance Order No. 33 and amended by the Ministry of Finance Order No. 76), the 42 specific accounting standards issued and amended on 15 February 2006 and thereafter, the Application Guideline of the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (collectively, the “Accounting Standards for Business Enterprises”) as well as the disclosure requirements of the Information Disclosure Rule No. 15 of Public Offerings Company – Financial Reporting General Provisions (2014 Amendments) issued by CSRC. The interim financial report was authorised to issue on 27 August 2021.

The interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 June 2021. The Directors are of opinion that, based on the working capital forecast of the Group, the Group will have necessary liquid funds to finance its working capital expenditure requirements for a reasonable period of time.

The preparation of an interim financial report in conformity with the Accounting Standards for Business Enterprises requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the publication of 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Accounting Standards for Business Enterprises of China.

The interim financial report is unaudited, but has been reviewed by WUYIGE Certified Public Accountants LLP in accordance with the China’s Auditing Standards for the Chinese Certified Public Accountants No. 2101 – Review of Financial Statements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1 Accounts receivable

(1) *The analysis on accounts receivable classified by bad debts provision method is as follows:*

Type	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Accounts receivable from affiliates		
Accounts receivable from non-affiliated companies	38,420	42,912
Sub-total	38,420	42,912
Less: Provision for bad debts	1,160	1,326
Total	37,260	41,586

(2) *The analysis on accounts receivable by ageing is as follows:*

Ageing	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	37,049	41,052
Including: 0-6 months	34,098	38,021
7-12 months	2,951	3,031
Over 1 year but within 2 years	419	727
Over 2 years but within 3 years	48	208
Over 3 years	905	925
Sub-total	38,420	42,912
Less: Provision for bad debts	1,160	1,326
Total	37,260	41,586

(3) *Provision for bad debts made, recovered or reversed during this year:*

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Balance at the beginning of the year	1,326	878
Provision made during this year		449
Provision recovered or reversed during this year	166	—
Written off during this year		—
At 30 June/31 December	1,160	1,326

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

2 Bearer biological assets

(1) Nature of the Group's agricultural activities

Bearer biological assets of the Group are dairy cows held to produce raw milk. The Group's dairy cows are milkable cows held for milk production and heifers and calves that have not reached the age to produce raw milk.

The number of cows owned by the Group as at 30 June 2021 and 31 December 2020 is as follows:

	At 30 June 2021 <i>Heads</i>	At 31 December 2020 <i>Heads</i>
Calves	1,520	3,550
Heifers	6,074	4,308
Milkable cows	8,840	8,236
Total	16,434	16,094

In general, the heifers are inseminated when they reach approximately 14 months old. After a gestation period of approximately 10 months, a calf is born and the heifers begin to produce raw milk and the lactation periods begin. The heifers, at this time, will be transferred to the group of milkable cows. A milkable cow is typically milked for approximately 300 days in each lactation period. The male calves newly born are sold while the female calves are bred for 6 months and then transferred to the group of heifers for preparation of insemination.

(2) Value of the Group's bearer biological assets

	Calves <i>RMB'000</i>	Heifers <i>RMB'000</i>	Milkable cows <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as at 31 December 2020	43,778	111,986	338,928	494,691
Balance as at 30 June 2021	21,499	152,241	335,392	509,132

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

3 Accounts payable

(1) Ageing analysis

Ageing	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year (inclusive)	147,066	203,441
Over 1 year but within 2 years (inclusive)	9,734	9,369
2-3 years (inclusive)	1,557	786
Over 3 years	815	508
Total	159,172	214,105

4 Operating income and operating costs

(1) Operating income and operating costs

	Six months ended 30 June			
	2021		2020	
	Income RMB'000	Cost RMB'000	Income RMB'000	Cost RMB'000
Principal activities	472,682	327,297	317,627	227,955
Other operating activities	8,138	3,962	7,361	3,398
Total	480,820	331,259	324,987	231,353

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

4 Operating income and operating costs (Cont'd)

(1) Operating income and operating costs (Cont'd)

Details of operating income

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Operating income from principal activities		
— Sale of goods	472,682	317,627
Sub-total	472,682	317,627
Other operating income		
— Income from sales of feed		
— Others	8,138	7,361
Total	480,820	324,987

5 Selling expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Staff cost	11,036	8,694
Freight and miscellaneous charges	11,327	7,148
Low cost and short-lived consumable items	6,053	6,029
Travel expenses	975	1,011
Promotional fees	4,572	2,910
Rents and property management fees	654	755
Depreciation and amortization	1,079	1,354
Labor dispatch fee	3,646	1,457
Others	1,565	1,409
Total	40,906	30,767

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

6 Administrative expenses

	Six months ended 30 June	
	January to June in 2021	January to June in 2020
Staff cost	15,872	9,601
Depreciation and amortization	10,618	7,154
Maintenance fees	6,508	5,692
Professional service fees	2,914	2,257
Greening and sewage charges	1,958	1,483
Office expenses	1,628	1,036
Premium for property insurance	689	1,030
Utilities expenses	1,057	914
Auditing fees	779	860
Inspection fees	236	580
Freight and miscellaneous charges	972	463
Business entertainment expenses	500	282
Travel expenses	915	271
Others	3,619	2,807
Total	48,265	34,431

7 Research and development expenses

Item	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Research and development of new products	3,915	5,178
Total	3,915	5,178

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

8 Financial expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest expenses from loans and payables	12,388	15,750
Including: Interest expenses	12,388	15,800
Interest subsidies for policy-related preferential loans		(50)
Less: Capitalized interest expenses		
Interest income from deposits	3,361	2,241
Net exchange (gains)/losses	4	(12)
Others	213	2,993
Total	9,244	16,490

9 Gains/(losses) from changes in fair value

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Gains in fair value less costs to disposal of bearer biological assets	(6,310)	293
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	1,358	(5,457)
Total	(4,951)	(5,164)

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

9 Gains/(losses) from changes in fair value *(Cont'd)*

The Company's bearer biological assets are the cows. On the balance sheet date, the Company hired qualified and professional assets valuer to determine the fair value of these cows. Any change over each period is included in the profit or loss of the current period.

The agricultural products harvested from the Company's bearer biological assets are the raw milk. At the time of harvest, the fair value of such agricultural products less the selling expenses (subject to the quotation in the local market) is recognized as the initial costs of the inventory. Any profit or loss (that is, the fair value of agricultural products at the time of harvest less the selling expenses and farming costs) generated from the recognition based on such fair value on the date of harvest shall be recognized in the income statement. Thereafter, during the sales, the inventory amount initially recognized based on such fair value is transferred to selling costs.

10 Government grants

(1) Government grants related to assets

Subsidy projects	31 December 2020 RMB'000	Grant amount added during this period RMB'000	Amount included in the profit or loss during this period RMB'000	30 June 2021 RMB'000
Dairy farming project	19,945		670	19,275
Dairy product production project	4,698		134	4,564
Biogas project	3,751		88	3,662
Others	8,666	1,000	292	9,374
Total	37,059	1,000	1,184	36,875

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

10 Government grants (Cont'd)

(2) Government grants related to income

Category	Amount RMB'000	Item represented RMB'000	Amount included in the profit or loss of the current period RMB'000
Funds under Dairy Development Project of Bureau of Agriculture and Rural Affairs of Jinchuan District of Jincang City	1,000	Deferred income	8
Funds for 2020 Grain-to-feed Program in Animal Husbandry Development Center of Linxia County	150	Non-operating income	150
Grain-to-feed project of Animal Husbandry and Veterinary Technology Extension Center of Liangzhou District	197	Non-operating income	197
Funds for rewarding, supplementing and supporting the development of agricultural industrialization of Agriculture and Rural Bureau of Liangzhou District	115	Other income	115
Special funds for the vocational skills improvement action of the Employment Service Center of Yuzhong County	385	Other income	385
Grants for the vocational skills improvement action of the Employment Service Center of Yuzhong County	57	Other income	57
Subsidy for the new certification of "Three Products and One Standard" by the Agricultural Products Quality and Safety Supervision Center of Yuzhong County	10	Other income	10
Total	1,914	—	922

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

11 Income tax expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current tax expense	3,022	128
Deferred tax expense	(180)	(1,797)
Total	2,841	(1,669)

12 Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Consolidated net profit attributable to ordinary shareholders of the Company	22,854	(1,975)
Weighted average number of ordinary shares outstanding	232,381	190,681
Basic earnings per share (RMB/share)	0.10	(0.01)

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

13 Dividends

- (i) The board of directors of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2021.
- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

Item	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.02 per share (six months ended 30 June 2021: Nil)	4,674	10,487
Total	4,674	10,487

It was resolved at the 2020 annual general meeting of the Company convened on 29 June 2021 to distribute dividends in cash at RMB0.02 per share (tax inclusive) to all shareholders with the profit available for distribution realized in 2020 and the total dividends distributed amounted to approximately RMB4.7 million.

14. Segment reporting

Considering the framework of internal organisation, requirements of management and the system of internal reporting, the Group has presented two reportable segments, which are Dairy Farming and Dairy Products Production. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and market strategies. The financial statements of the different segments is regularly reviewed by the Group's management to make decisions about resources to be allocated to each segment and assess its performance.

Segment	Principal activities
Dairy farming	Breeding dairy cows to produce and sell raw milk
Dairy products production	Producing and selling Pasteurised Milk, Ultra High Temperature Milk, Modified Milk, Yogurt and Other Dairy Products

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

14. Segment reporting *(Cont'd)*

(1) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's management regularly reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible, other non-current and current assets, such as receivable, with the exception of deferred tax assets and other unallocated corporate assets (if any). Segment liabilities include current and non-current liabilities, such as payables, bank borrowings, attributable to the individual segments, but exclude deferred tax liabilities (if any).

Financial performance is operating income (including operating income from external customers and inter-segment operating income) after deducting operating costs, taxes and surcharges, selling and distribution expenses, general and administrative expenses, financial expenses and non-operating income and expenses attributable to the individual segments but exclude unallocated corporate expenses (if any). Transfer pricing of income among reportable segments is in accordance with the similar terms of transaction with external parties.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

14. Segment reporting (Cont'd)

(1) Segment results, assets and liabilities (Cont'd)

Information regarding the Group's reportable segments set out below is the measure of segment profit or loss and segment assets and liabilities reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss and segment assets and liabilities:

Item	Dairy farming Segment		Dairy Products Production Segment		Elimination among Segments		Total	
	January to June in	January to June in	January to June in	January to June in	January to June in	January to June in	January to June in	January to June in
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external transactions	97,646	34,499	383,174	290,489			480,820	324,987
Revenue from inter-segment transactions	119,183	105,786			(119,183)	(105,786)		
Depreciation and amortization expenses	18,500	16,966	29,047	28,858			47,546	45,823
Interest income	1,921	93	1,440	2,147			3,361	2,241
Interest expense	1,450	1,851	10,938	13,899			12,388	15,750
Total profits / (losses)	7,643	2,431	18,052	(6,075)			25,695	(3,644)
Income tax expenses			2,841	(1,669)			2,841	(1,669)
Net profits / (losses)	7,643	2,431	15,211	(4,406)			22,854	(1,975)
Total assets	1,550,819	1,138,744	1,911,943	2,175,006	(750,035)	(654,820)	2,712,727	2,658,930
Total liabilities	916,080	771,370	936,669	1,329,639	(750,035)	(654,820)	1,102,714	1,446,189
Increase in non-current assets	59,820	73,457	17,787	(44,443)			77,608	29,014

(2) Geographic information

As the Group's revenue is derived from customers located in the Mainland China and non-current assets are mainly taken from and wholly located in Mainland China and all the branches are managed on a national basis due to their similar customer classifications or classification and similar regulatory environment in all regions, no information has been provided to the management of the Group by geographical area in Mainland China.

(3) Major customers

In period from January to June in 2021 and 2020, there is no case in which revenue to a single customer exceeds 10% of the total revenue of the Company.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

II. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

15. Rate of return on net assets and earnings per share

Unit: RMB

Profit during the report period	Rate of return on weighted average net assets (%)		Earnings per share			
	January to June in 2021	January to June in 2020	Basic earnings per share		Diluted earnings per share	
	January to June in 2021	January to June in 2020	January to June in 2021	January to June in 2020	January to June in 2021	January to June in 2020
Net profit attributable to the Company's ordinary shareholders	1.43	(0.16)	0.10	(0.01)	0.10	(0.01)
Net profit attributable to the ordinary shareholders of the Company after a deduction of non recurring profit or loss	1.83	(0.39)	0.13	(0.02)	0.13	(0.02)