



**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

**鲜活  
20岁!**

庄园牧场20周年



\*For identification purposes only

**2019 INTERIM REPORT**

## 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

### Executive Directors

Mr. Ma Hongfu  
Mr. Wang Guofu  
Mr. Chen Yuhai  
Ms. Zhang Qianyu

### Non-Executive Directors

Mr. Yap Kean Chong  
Mr. Song Xiaopeng

### Independent Non-Executive Directors

Ms. Liu Zhijun  
Mr. Zhao Xinmin  
Mr. Wong Cho Hang Stanley

### Supervisors

Ms. Du Wei  
Mr. Sun Chuang  
Mr. Wei Lin

## AUDIT COMMITTEE

Ms. Liu Zhijun (*Chairman*)  
Mr. Zhao Xinmin  
Mr. Wong Cho Hang Stanley

## REMUNERATION AND APPRAISAL COMMITTEE

Ms. Liu Zhijun (*Chairman*)  
Mr. Wang Guofu  
Mr. Zhao Xinmin

## NOMINATION COMMITTEE

Mr. Zhao Xinmin (*Chairman*)  
Mr. Ma Hongfu  
Mr. Wong Cho Hang Stanley

## STRATEGY COMMITTEE

Mr. Ma Hongfu (*Chairman*)  
Mr. Song Xiaopeng  
Mr. Zhao Xinmin

## AUTHORISED REPRESENTATIVES

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

## JOINT COMPANY SECRETARIES

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

## STOCK CODE

1533

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3306-12, 33/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)

**Howse Williams**  
27/F Alexandra House  
18 Chater Road  
Central  
Hong Kong

### PRINCIPAL BANK

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

### AUDITORS

**Ruihua Certified Public Accountants  
(Special General Partnership)**  
5th-11th Floors  
West Tower of China Overseas Property Plaza  
Building 7, No.8 Yongdingmen Xibinhe Road  
Dongcheng District  
Beijing, PRC

### COMPANY WEBSITE

<http://www.lzzhuangyuan.com>



# Interim Results Highlights

## FINANCIAL HIGHLIGHTS

### Results

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Operating income	396,899	313,623
Gross profit	128,815	114,898
Profit for the year attributable to equity shareholders of the Company	26,698	26,326
Earnings per share (RMB) <sup>(1)</sup>	0.14	0.14

- Revenue increased by [26.55]% as compared to the corresponding period in 2018.
- Gross profit increased by [12.11]% as compared to the corresponding period in 2018.
- Profit for the period attributable to equity shareholders of the Company increased by [1.41]% as compared to the corresponding period in 2018.

<sup>(1)</sup> 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 period.



# 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 six dairy farms and collectively operated three dairy farms through cooperation with local dairy farmers as at 30 June 2019. 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 approximately 50% of our raw milk requirement that could be sourced internally in the near future, which will enable us to achieve balanced, complementary yet diverse sources of raw milk supply 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), UHT 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 UHT milk products, thereby maintaining our diversified product offerings. Going forward, we intend to continue our efforts in the sales of our UHT 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 six months ended 30 June 2019 (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 2019 and 31 December 2018:

	At 30 June 2019 Heads	At 31 December 2018 Heads
Milkable cows	5,178	5,196
Heifers	2,987	2,839
Calves	1,045	2,069
Total	9,210	10,104

- Milk yield

We produced approximately 25,797 tonnes of raw milk for the Reporting Period (for the corresponding period in 2018: approximately 12,533 tonnes), representing a year-on-year increase of approximately 105.8%. Such increase was mainly attributable to the addition of a self-run pasture arising from the acquisition of Xi'an Dongfang Dairy Co., Ltd.\* (西安東方乳業有限公司) by the Company in 2018 and the increase in yield per milkable cow due to the optimization of the cattle structure during the first half of 2018.

Our average milk yield per milkable cow per annum increased from 5.2~10.9 tonnes during the six months ended 30 June 2018 to 6.9~11.4 tonnes during the Reporting Period.



# Management Discussion and Analysis

## Dairy products production

During the Reporting Period, the level of competition in the market of domestic dairy products, especially liquid milk products, continuously increased. In response to these market conditions, we continuously optimized our product mix by leveraging on our advantages of milk sources produced by our own dairy farms and quality dairy products with high protein and fresh dairy milk products, thus strengthening our differentiated competitiveness, and focused on developing the northwestern China market.

- *Optimizing Liquid Milk Product Mix*

Product mix has affected our revenue, gross profit and gross profit margin in the past. We continued to place effort to increase the proportion of sales of Cold Chain Liquid Milk Products, which we believe will represent the consumer preferences in the near future and will provide higher selling prices and higher gross profit margin to us compared to other dairy products. We have established an extensive distribution network and package lines which are designed for packaging of paturised milk and yogurt products for our Cold Chain Liquid Milk Products in the Gansu, Shaanxi and Qinghai regional markets to expand our production and increase the sales of Cold Chain Liquid Milk Products.

We plan to further increase the sales of Cold Chain Liquid Milk Products and other high-margin products. We plan to further expand our cold chain production facilities and distribution network in Gansu, Shaanxi and Qinghai, and we expect sales of our Cold Chain Liquid Milk Products and high-margin products will continue to increase in the foreseeable future.

- *Expansion of our Distribution Network*

We rely on our distribution network to sell our dairy products to end consumers. The effectiveness and geographic reach of our distribution network and sales force directly impact our sales. We have established a distribution network comprising various sales channels covering most of the local markets in Gansu, Shaanxi and Qinghai. As at 30 June 2019, we had entered into distribution agreements with 768 distributors and sales agents, as compared to 1,039 distributors and sales agents as at 31 December 2018. To further promote our branded dairy products across the region, we aim to enhance our distribution network to deepen our regional sales and distribution network and solidify our established position in our primary markets. Furthermore, we are also expanding our distribution network into the China national market, especially in the northwestern China region.

- *Average Selling Price of our Liquid Milk Products*

Our revenue and profitability are affected by the average selling price of our liquid milk products, which in turn, is determined by prevailing market conditions, cost of raw materials, production costs and competition. The average selling price of our liquid milk products increased from RMB8,534 per tonne in the six months ended 30 June 2018 to RMB9,029 per tonne in the Reporting Period, mainly due to the recovery in selling price of the products series in Qinghai.

## Management Discussion and Analysis

### 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 programme. 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.

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 identified the critical control points and established monitoring procedures and used 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

The liquid milk product industry in China, including Gansu, Shaanxi and Qinghai, our major markets, is highly concentrated. The competitive landscape of the dairy product industry in China can be split into three categories: (1) national brands; (2) regional brands; and (3) foreign brands. As a regional brand, we are located near the market with shorter transportation time that guarantees better freshness. Our products are also tailored specifically to the taste and spending habits of end consumers. Compared with our competitors, we benefited from a stable supply of raw milk from our suppliers with whom we have developed good relationship over the years.

## Management Discussion and Analysis

We believe the demand for premium Cold Chain Liquid Milk Products will continue to rise along with the consumers' increased awareness of the importance of nutritional products to the health and well-being. To capture the increasing demand for Cold Chain Liquid Milk Products, we plan to continue to expand our cold chain distribution network in Gansu, Shaanxi and Qinghai and further in northwestern China. We believe that one of the key factors to a successful cold chain distribution network is the strategic location of cold warehouses outside of our production plants as it allows our products to reach local markets within 300 kilometers radius of our cold warehouses and also allows us to have better control over the quality of the Cold Chain Liquid Milk Products during the distribution process.

We also seek to expand our third party distributors to deepen our regional sales and distribution network and solidify our established position in Gansu, Shaanxi and Qinghai, our primary markets. We will also continue to develop the e-commerce sales channels and satisfy the demands and preferences of different consumer groups through the internet direct sales portal to reach a wider customer base and to adapt to consumers' purchase preference.

### 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 2019 and 2018:

	Six months ended 30 June					
	2019			2018		
	Sales amount	Sales volume	Average selling price	Sales amount	Sales volume	Average selling price
	RMB'000	Tonne	RMB/ Tonne	RMB'000	Tonne	RMB/ Tonne
<b>Liquid Milk Products</b>						
Pasteurised Milk	12,904	1,570	8,221	10,763	1,468	7,330
UHT Milk	101,671	14,588	6,969	77,008	12,478	6,172
Modified Milk	135,358	14,132	9,578	108,520	12,397	8,754
Yogurt	129,354	11,115	11,637	101,245	8,533	11,865
<b>Subtotal</b>	<b>379,286</b>	<b>41,405</b>	<b>9,160</b>	<b>297,536</b>	<b>34,876</b>	<b>8,531</b>
<b>Milk Beverage</b>	<b>6,462</b>	<b>984</b>	<b>6,567</b>	<b>600</b>	<b>229</b>	<b>2,620</b>
<b>Other Dairy Products</b>	<b>2,328</b>	<b>592</b>	<b>3,932</b>	<b>2,264</b>	<b>94</b>	<b>24,085</b>
<b>Total</b>	<b>388,076</b>	<b>42,981</b>	<b>9,029</b>	<b>300,399</b>	<b>35,200</b>	<b>8,534</b>

Our revenue increased by 29.19% from RMB300.4 million for the six months ended 30 June 2018 to RMB388.1 million for the Reporting Period, primarily due to the increase in the revenue arising from the addition of the subsidiary within the scope of the consolidated financial statements, Xi'an Dongfang Dairy Co., Ltd.\* (西安東方乳業有限公司).

## 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					
	2019			2018		
	Cost of sales <i>RMB'000</i>	Gross Profit <i>RMB'000</i>	Gross profit margin %	Cost of sales <i>RMB'000</i>	Gross Profit <i>RMB'000</i>	Gross profit margin %
<b>Liquid Milk Products</b>						
Pasteurised Milk	8,623	4,281	33.2	5,893	4,870	45.3
UHT Milk	77,606	24,064	23.7	55,088	21,920	28.5
Modified Milk	84,823	50,535	37.3	59,030	49,490	45.6
Yogurt	85,149	44,204	34.2	65,723	35,522	35.1
<b>Subtotal</b>	<b>256,202</b>	<b>123,084</b>	<b>32.5</b>	185,733	111,803	37.6
<b>Milk Beverage</b>	<b>5,164</b>	<b>1,298</b>	<b>20.1</b>	501	99	16.5
<b>Other Dairy Products</b>	<b>1,901</b>	<b>427</b>	<b>18.4</b>	2,540	-276	-12.2
<b>Total cost of sales/ Total gross profit/ Overall gross profit margin</b>	<b>263,266</b>	<b>124,810</b>	<b>32.2</b>	188,773	111,626	37.2

Our overall gross profit margin of our dairy products after taking into account biological assets fair value adjustments was 32.2% for the Reporting Period and 37.2% for the corresponding period in 2018. The decrease in the overall gross profit margin during the Reporting Period was primarily due to the decrease in the gross profit margin of basic products as compared to that for the same period of last year arising from the increase in the proportion of basic products by the Company.

### Gain 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 increased from the loss of RMB0.1 million for the six months ended 30 June 2018 to a gain of RMB4.7 million for the Reporting Period. The increase was due to the increase in market price of fresh and raw milk during the Reporting Period.



## Management Discussion and Analysis

### ***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 cost of sales of biological assets amounted to RMB1.4 million for the Reporting Period, which decreased by 84.09% from the loss of RMB8.8 million for the corresponding period in 2018, primarily attributable to the increase in market price of fresh and raw milk during the Reporting Period.

### ***Other income***

Other income refers to government grants. Government grants are generally obtained from our agricultural activities. For the six months ended 30 June 2019 and 2018, government grants we recognized amounted to RMB2.0 million and RMB4.5 million, respectively.

### ***Operating expenses***

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Selling and distribution expenses	42,585	45,163
General and administrative expenses	39,544	24,722
<b>Total operating expenses</b>	<b>82,129</b>	69,885

Our operating expenses increased from RMB69.9 million for the six months ended 30 June 2018 to RMB82.1 million for the Reporting Period.

The increase in selling and distribution expenses during the Reporting Period was mainly due to: (1) the increase in the marketing expenses for the purpose of securing higher sales growth and gaining larger market shares in regional key market and further exploring the national market for our Cold Chain Liquid Milk Products; and (2) the increase in transportation cost to promote sales in the fierce market competition.

### ***Financial expenses***

Our net finance costs increased by 63.54% from RMB8.4 million for the six months ended 30 June 2018 to RMB13.7 million for the Reporting Period, primarily due to substantial decrease in interest subsidies for policy-related preferential loans utilized during the Reporting Period.

### ***Current ratio***

As at 30 June 2019, our current ratio (current assets/current liabilities) was approximately 0.89 compared to 0.72 as at 31 December 2018.

# Management Discussion and Analysis

## ***Liquidity and capital resources***

During the Reporting Period, we financed our operations primarily through net cash inflows from our daily operations. As at 30 June 2019 and 31 December 2018, we had RMB552.4 million and RMB388.8 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 RMB284.8 million and RMB125.7 million for the six months ended 30 June 2019 and 2018, respectively, which were primarily used in purchasing property, plant and equipment, procuring dairy cows and settling land leases.

## ***Gearing ratio***

As at 30 June 2019, the Company has a gearing ratio of approximately 48.95% (as at 31 December 2018: approximately 42.17%).

## ***Working capital***

As at 30 June 2019, we had net current assets of RMB-90.5 million (31 December 2018: net current assets of RMB-217.7 million).

## ***Indebtedness***

During the Reporting Period, our borrowings were denominated in Renminbi. As at 30 June 2019, our outstanding short-term bank loans, including long-term loans due within one year, amounted to RMB499 million at interest rates ranging from 4.35%~6.22% per annum. As at 30 June 2019, our outstanding long-term bank loans, net of amount due within one year, amounted to RMB268 million at interest rates ranging from 4.75%~6.22% 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 2019 and 31 December 2018, we did not have significant contingent liabilities.

## ***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 2019 were denominated in the respective Group companies' functional currencies.

## Management Discussion and Analysis

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 fixed assets, intangible assets and long-term equity investments that were used as guarantees was RMB470 million as at 30 June 2019 (31 December 2018: RMB325.1 million). The net book value of the pledge of assets are as follow: (1) fixed assets: RMB124 million (31 December 2018: RMB319.5 million); (2) intangible assets: RMB55 million (31 December 2018: RMB5.7 million) and (3) long-term equity investments: RMB291 million (31 December 2018: RMB0 million).

### **Capital Structure**

There has been no change in the capital structure of the Group during the Reporting Period. The capital of the Group only comprises ordinary shares.

### **Significant investments**

The Group had no significant investments held during the Reporting Period.

### **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

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 2019, the Company had no future plans for material investments or capital assets.

### **Use of proceeds from the A Share Listing and the H Share Listing**

#### *Basic information on the proceeds raised from the H Share Listing*

As approved by the “Approval for the Issue of Overseas-listed Foreign Shares of Lanzhou Zhuangyuan Pasture Co., Ltd.\* (蘭州莊園牧場股份有限公司) 2015 No. 1142” issued by China Securities Regulatory Commission (the “CSRC”) on 4 June 2015, the Company carried out the initial public offering of 35,130,000 overseas-listed foreign shares (“H Shares”) at a price of HK\$5.30 per share on 15 October 2015 (the “H Shares Listing”), which were paid up in cash in Hong Kong dollars. The total sum amounted to HK\$186,189,000. After deducting underwriting expenses and sponsor’s fee, various intermediaries’ fees and other issuance expenses, the actual net proceeds raised amounted to HK\$141,832,158 (equivalent to RMB116,031,470 based on the middle point of the prevailing exchange rates of Hong Kong dollars against RMB on the date on which the Company received the prices) (the “Raised Fund”).

The Raised Fund utilized during the Reporting Period were RMB105,838, and the total funds utilized up to 31 December 2018 were RMB107,687,541. As of 30 June 2019, the Company had utilized RMB107,793,379 out of the funds raised from the last H Shares Listing. The net interest income from the Raised Fund after deduction of handling charges was RMB168,339. The balance of the Raised Fund deposited in the special account was RMB8,406,430, and the balance of the Raised Fund unutilized was RMB8,406,430.

## Management Discussion and Analysis

We set out below the status of the application of the net proceeds from the H Shares Listing to 30 June 2019:

### (RMB)

Total raised fund	116,031,470	Total raised fund invested during the Report Period	105,838
Total raised fund which changed purpose during the reporting period	—	Total raised fund invested accumulatively	107,793,379
Total accumulatively raised fund which changed purpose	46,412,588	—	
The proportion of total accumulatively raised fund which changed purpose	40%	—	

Committed investment projects and investment direction of extra fund raised	Whether the project has been changed (including partial changes)	Total committed investment of raised fund	Total investment after adjustment <sup>(1)</sup>	The amount invested during the Report Period	Accumulated amount invested as of the end of the Report Period <sup>(2)</sup>	Investment progress as of the end of the Report Period (%) <sup>(2)(1)</sup>	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
<b>Committed investment projects</b>										
1. The construction of 3,000 raw milk kiosks of communities	Yes	37,130,070	—	—	—	—	N/A	N/A	N/A	N/A
2. Some source of fund for the project of importing approximately 5,000 dairy cows from Australia or New Zealand	Yes	34,809,441	81,222,029	—	81,222,029	100%	Note 1 and Note 2	—	—	—
3. The promotion of brands	No	23,206,294	23,206,294	105,838	14,968,203	65%	Note 3	N/A	N/A	No
4. The construction of a new technical centre	Yes	9,282,518	—	—	—	—	N/A	N/A	N/A	N/A
5. Operating capital and others	No	11,603,147	11,603,147	—	11,603,147	100%	N/A	N/A	N/A	N/A
<b>Total</b>		<b>116,031,470</b>	<b>116,031,470</b>	<b>105,838</b>	<b>107,793,379</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**Note 1:** The actual investment amount is aggregated under the premise that all the expenses related to the committed investment projects are incurred till the proceeds are fully utilized assuming that such proceeds are transferred to the relevant bank account.

**Note 2:** As the Company did not make any undertaking as to the estimated benefits of the investment of the funds raised in the prospectus for the initial public offering of H Shares of the Company, no information on the benefits of the investment of the funds raised is disclosed.

**Note 3:** It is expected to be used up during 2019 to 2020.



## Management Discussion and Analysis

### *Basic information on the proceeds raised from the A Share Listing*

As approved by the “Approval for the Issue 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 funds utilized during the Reporting Period were RMB0, the temporary supplemental liquidities were RMB100,000,000 and the interest income of the special account for funds raised after deducting handling charges for the Reporting Period was RMB11,819. As of 30 June 2019, the Company had utilized RMB203,400,000 out of the funds raised from the A Share Listing. The balance of the Raised Fund deposited in the special account was RMB7,031,721, and the balance of the Raised Fund unutilized was RMB107,031,721.

We set out below the status of the application of the net proceeds from the A Share Listing to 30 June 2019:

### **(RMB)**

Total raised fund	309,503,700	Total raised fund invested during the Reporting Period	0
Total raised fund which changed purpose during the reporting period	—	Total raised fund invested accumulatively	203,400,000
Total accumulatively raised fund which changed purpose	150,000,000	—	
The proportion of total accumulatively raised fund which changed purpose	48%	—	

## Management Discussion and Analysis

Committed investment projects and investment direction of extra fund raised	Whether the project has been changed (including some changes)	Total committed investment of fund raised	Total investment after adjustment <sup>(1)</sup>	The amount invested during the Reporting Period	Accumulated amount invested as of the end of the Reporting Period <sup>(2)</sup>	Investment progress as of the end of the Reporting Period (%) <sup>(2)(1)</sup>	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										
1. The project of cultivation and construction of 10,000 imported good dairy cows	Yes	260,193,300	159,503,700	0	53,400,000	33%	—	—	N/A	No
2. The construction project of self- service milkselling machines and ancillary facility	Yes	49,310,400	—	—	—	—	—	—	N/A	Yes
3. The acquisition of 82% equity interest ofDongfang Dairy	No	—	150,000,000	0	150,000,000	100%	1 November 2018	3,297,893.18	N/A	No
Total		309,503,700	309,503,700	0	203,400,000	—		3,297,893.18	—	—

# Management Discussion and Analysis

## Human Resources

We had 860 employees in Mainland China and Hong Kong as at 30 June 2019 (31 December 2018: 907 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 RMB33.8 million (the corresponding period in 2018: RMB26.9 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 of the Company (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 3,340,600 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.

## 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.

## 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.

## Management Discussion and Analysis

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 optimised configuration of processes and equipments on a consumer-oriented basis, make the products to have targeted and featured 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 2019

Subsequent to 30 June 2019, 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.

The Company has complied with all applicable Code Provisions of the Corporate Governance 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.

### 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.



## Management Discussion and Analysis

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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.

### **MATERIAL LITIGATION AND ARBITRATION PROCEEDINGS**

The Group has no material litigation or arbitration proceedings during the Reporting Period.

### **SHARE OPTION SCHEME**

No share option scheme was adopted by 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 2019, 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 Future 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
<b>A Shares</b>				
Ma Hongfu (Note 2)	Beneficial owner	32,197,400 (L)	20.70%	16.89%
	Interested in controlled corporation	45,894,700 (L)	29.50%	24.07%
Wang Guofu	Beneficial owner	483,000	0.31%	0.25%
Chen Yuhai	Beneficial owner	375,000	0.24%	0.20%
Zhang Qianyu	Beneficial owner	108,000	0.07%	0.06%
Ding Jianping	Beneficial owner	458,000	0.29%	0.24%
Zhao Qinghua	Beneficial owner	106,400	0.068%	0.056%

Notes:

- (1) All interests in shares were long positions.
- (2) Mr. Ma Hongfu holds 97.38% equity interests in Lanzhou Zhuangyuan Investment Co., Ltd.\* (蘭州莊園投資股份有限公司) ("Zhuangyuan Investment") and 39.44% equity interests in Gansu Lucky Cow Investment Co., Ltd.\* (甘肅福牛投資有限公司) ("Lucky Cow"). Under the SFO, he is deemed to be interested in the shares held by Zhuangyuan Investment and Lucky Cow.

Save as disclosed above, as at 30 June 2019, 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.

## Other Information

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

As at 30 June 2019, 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	Approximate percentage of total issued A Shares/H Shares (as applicable)	Approximate percentage in the issued share capital of the Company
<b>A Shares</b>				
Yang Xiuhua ( <i>Note 2</i> )	Interest of spouse	78,092,100 (L)	50.20%	40.95%
Lanzhou Zhuangyuan Investment Co., Ltd. ( <i>Note 3</i> )	Beneficial owner	30,894,700 (L)	19.86%	16.20%
Gansu Lucky Cow Investment Co., Ltd. ( <i>Note 3</i> )	Beneficial owner	15,000,000 (L)	9.64%	7.87%
Chongqing Fukun Venture Investment Centre LLP	Beneficial owner	3,243,272 (L)	2.09%	1.70%
<b>H Shares</b>				
Hu Keliang	Beneficial owner	6,960,000 (L)	19.81%	3.65%
Li Yanling ( <i>Note 4</i> )	Interests of spouse	6,960,000 (L)	19.81%	3.65%
Wang Wei ( <i>Note 5</i> )	Beneficial owner	800,000 (L)	2.28%	0.42%
	Interest of controlled corporation	2,800,000 (L)	7.97%	1.47%
Li Qi ( <i>Note 5</i> )	Interests of spouse	3,600,000 (L)	10.25%	1.89%
Venko Limited ( <i>Note 5</i> )	Beneficial owner	2,800,000 (L)	7.97%	1.47%
Ren Qifeng ( <i>Note 6</i> )	Interest of controlled corporation	3,523,000 (L)	10.03%	1.85%
Ren Songliu ( <i>Note 6</i> )	Interests of spouse	3,523,000 (L)	10.03%	1.85%
Technoart Investments Limited ( <i>Note 6</i> )	Beneficial owner	3,523,000 (L)	10.03%	1.85%
Hu Jiawu	Beneficial owner	2,800,000 (L)	7.97%	1.47%
Xi Xin ( <i>Note 7</i> )	Interests of spouse	2,800,000 (L)	7.97%	1.47%

## Other Information

### Notes:

1. All interests in shares were long positions.
2. Ms. Yang Xiuhua is the spouse of Mr. Ma Hongfu. Therefore, Ms. Yang Xiuhua is deemed to be interested in the shares in which Mr. Ma Hongfu is interested by virtue of the SFO.
3. Mr. Ma Hongfu holds 97.38% equity interests in Zhuangyuan Investment and 39.44% equity interests in Lucky Cow. Under the SFO, he is deemed to be interested in the shares held by Zhuangyuan Investment and Lucky Cow.
4. 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.
5. 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.
6. 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.
7. Ms. Xi Xin is the spouse of Mr. Hu Jiawu. Therefore, Ms. Xi Xin is deemed to be interested in the shares in which Mr. Hu Jiawu is interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, 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.

## 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 Ms. Liu Zhijun, Mr. Zhao Xinmin and Mr. Wong Cho Hang Stanley. Ms. Liu Zhijun 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.

## Other Information

### DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (the six months ended 30 June 2018: 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.\***

**Ma Hongfu**

*Chairman and Executive Director*

Lanzhou, the PRC, 15 August 2019



# 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 Company's balance sheets as at 30 June 2019, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in shareholders' equity for January to June 2019, 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 deliver 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 can not present fairly, Zhuangyuan Pasture's financial position as at 30 June 2018, and operating results and cash flows for January to June 2019.

**Ruihua Certified Public Accountants**  
**(Special General Partnership)**

Chinese Certified Public Accountant: Li Zongyi

Beijing, the PRC

Chinese Certified Public Accountant: Zhang Yingli

15 August 2019

# Consolidated Balance Sheet

As at 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	30 June 2019	1 January 2019	31 December 2018
<b>Current assets:</b>				
Monetary funds		607,259,581.73	403,091,181.37	403,091,181.37
Trading financial assets				
Derivative financial assets				
Bills receivable			200,000.00	200,000.00
Trade receivables	3.1	41,209,403.38	36,474,292.53	36,474,292.53
Receivables financing				
Prepayments		7,138,262.61	13,351,970.35	13,351,970.35
Other receivables		10,083,774.38	12,859,500.92	12,859,500.92
Including: Interest receivable				
Dividend receivable				
Inventories		62,039,377.89	88,920,515.66	88,920,515.66
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets		9,482,437.31	2,732,075.27	2,732,075.27
<b>Total current assets</b>		<b>737,212,837.30</b>	557,629,536.10	557,629,536.10
<b>Non-current assets:</b>				
Debt investments				
Available-for-sale financial assets				
Other debt investments				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments				
Other equity instrument investments		44,471.00	44,471.00	44,471.00
Other non-current financial assets				
Investment properties				
Fixed assets		897,407,329.08	924,349,962.72	939,220,755.53
Construction in progress		195,422,455.82	37,670,284.43	37,670,284.43
Bearer biological assets	3.2	252,783,200.00	270,304,000.00	270,304,000.00
Right-of-use assets		50,628,613.49	53,238,141.45	
Intangible assets		73,769,345.83	74,720,414.54	74,720,414.54
Development expenditures				
Goodwill		58,690,507.80	58,690,507.80	58,690,507.80
Long-term deferred expenses		5,007,868.51	5,831,608.95	8,121,802.02
Deferred tax assets		7,142,825.14	7,437,269.96	7,437,269.96
Other non-current assets		94,270,000.00	94,270,000.00	94,270,000.00
<b>Total non-current assets</b>		<b>1,635,166,616.67</b>	1,526,556,660.85	1,490,479,505.28
<b>Total assets</b>		<b>2,372,379,453.97</b>	2,084,186,196.95	2,048,109,041.38

## Consolidated Balance Sheet (Continued)

As at 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	30 June 2019	1 January 2019	31 December 2018
<b>Current liabilities:</b>				
Short-term borrowings		475,000,000.00	437,000,000.00	437,000,000.00
Trading financial liabilities				
Derivative financial liabilities				
Bills payable		58,298,777.92	30,545,185.82	30,545,185.82
Accounts payable	3.3	136,547,859.88	164,947,220.90	164,947,220.90
Advances from customers				
Contract liabilities		13,281,481.65	26,619,170.51	26,619,170.51
Employee remuneration payable		2,642,235.26	3,137,339.49	3,137,339.49
Taxes payable		34,351,971.55	43,114,591.17	43,114,591.17
Other payables		78,871,427.37	41,599,096.36	41,599,096.36
Including: Interests payable		528,190.83	367,508.92	367,508.92
Dividends payable		12,739,120.00		
Liabilities held for sale				
Non-current liabilities due within one year		28,683,977.24	28,381,959.35	28,381,959.35
Other current liabilities				
<b>Total current liabilities</b>		<b>827,677,730.87</b>	775,344,563.60	775,344,563.60
<b>Non-current liabilities:</b>				
Long-term borrowings		267,586,029.95	39,559,300.45	39,559,300.45
Bonds payable				
Including: Preferred shares				
Perpetual bonds				
Lease liabilities		33,378,698.56	38,078,362.12	
Long-term payables				2,360,888.31
Estimated liabilities		479,185.63	371,085.27	11,403.51
Deferred income		38,763,054.25	40,128,588.11	40,128,588.11
Deferred income tax liabilities		6,131,363.38	6,297,564.28	6,297,564.28
Other non-current liabilities				
<b>Total non-current liabilities</b>		<b>346,338,331.77</b>	124,434,900.23	88,357,744.66
<b>Total liabilities</b>		<b>1,174,016,062.64</b>	899,779,463.83	863,702,308.26

## Consolidated Balance Sheet (Continued)

As at 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	30 June 2019	1 January 2019	31 December 2018
<b>Shareholders' equity:</b>				
Share capital		190,680,600.00	187,340,000.00	187,340,000.00
Other equity instruments				
Including: Preferred shares				
Perpetual bonds				
Capital reserve		528,700,758.09	508,790,782.09	508,790,782.09
Less: Treasury stocks		23,250,576.00		
Other comprehensive income				
Special reserve				
Surplus reserve		38,906,502.17	37,194,404.27	37,194,404.27
Provisions for general risks				
Undistributed profits		463,326,107.07	451,081,546.76	451,081,546.76
Total equity attributable to shareholders of the parent		1,198,363,391.33	1,184,406,733.12	1,184,406,733.12
Minority equity interests				
<b>Total Shareholders' equity</b>		<b>1,198,363,391.33</b>	1,184,406,733.12	1,184,406,733.12
<b>Total liabilities and Shareholders' equity</b>		<b>2,372,379,453.97</b>	2,084,186,196.95	2,048,109,041.38

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Consolidated Income Statement

For the six months ended 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>I. Total operating income</b>		<b>396,898,739.17</b>	313,623,437.89
Including: Operating income	3.4	<b>396,898,739.17</b>	313,623,437.89
<b>II. Total operating cost</b>		<b>372,424,001.39</b>	280,206,436.24
Including: Operating cost		<b>268,083,876.97</b>	198,725,333.35
Taxes and surcharges		<b>3,184,510.39</b>	2,134,847.09
Selling expenses	3.5	<b>42,584,978.23</b>	45,163,226.69
Administrative expenses	3.6	<b>39,544,081.52</b>	24,722,182.55
Research and development expenses	3.7	<b>5,289,930.38</b>	1,061,062.13
Financial expenses	3.8	<b>13,736,623.90</b>	8,399,784.43
Including: Interest expenses		<b>12,707,625.48</b>	9,803,796.48
Interest income		<b>-870,075.17</b>	-1,495,339.94
Add: Other income	3.10	<b>1,997,910.38</b>	4,499,043.57
Investment income (loss is indicated by "-")			
Including: Investment income from associated enterprises and joint ventures			
Gain on derecognition of financial assets measured at amortized cost (loss is indicated by "-")			
Net exposure to hedging gains (loss is indicated by "-")			
Gains from changes in fair value (loss is indicated by "-")	3.9	<b>3,298,396.26</b>	-8,898,409.86
Impairment losses on credit (loss is indicated by "-")		<b>-473,700.10</b>	32,327.84
Impairment loss on assets (loss is indicated by "-")			
Gains from asset disposal (loss is indicated by "-")		<b>-2,063.05</b>	-3,326.75
<b>III. Operating profit (loss is indicated by "-")</b>		<b>29,295,281.27</b>	29,046,636.45
Add: Non-operating income		<b>1,530,221.07</b>	455,801.11
Less: Non-operating expenses		<b>237,591.57</b>	1,777,250.90
<b>IV. Total profit (total loss is indicated by "-")</b>		<b>30,587,910.77</b>	27,725,186.66
Less: Income tax expenses	3.11	<b>3,892,132.56</b>	1,399,666.77



## Consolidated Income Statement (Continued)

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>V. Net profit (net loss is indicated by "-")</b>		<b>26,695,778.21</b>	26,325,519.89
(I) Classification by operating continuity			
1. Net profit from continuing operations (net loss is indicated by "-")		<b>26,695,778.21</b>	26,325,519.89
2. Net profit from discontinued operations (net loss is indicated by "-")			
(II) Classification by ownership			
1. Non-controlling Interests (net loss is indicated by "-")			
2. Net profit attributable to shareholders of the Parent Company (net loss is indicated by "-")		<b>26,695,778.21</b>	26,325,519.89
<b>VI. Other net comprehensive income after tax</b>			
Other net comprehensive income after tax attributable to shareholders of the Parent Company			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			

## Consolidated Income Statement (Continued)

For the six months ended 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
(II) Other comprehensive income that will be re-classified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Gain or loss from change in fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Gain or loss on held-to-maturity investments that are reclassified into available-for-sale financial assets			
6. Credit impairment provision for other debt investments			
7. Reserve for cash flow hedging (effective portion of gain or loss on cash flow hedging)			
8. Translation differences of financial statements denominated in foreign currency			
9. Others			
Other net comprehensive income after tax attributable to non-controlling interests			
<b>VII. Total comprehensive income</b>		<b>26,695,778.21</b>	26,325,519.89
Total comprehensive income attributable to shareholders of the Parent Company		<b>26,695,778.21</b>	26,325,519.89
Total comprehensive income attributable to non-controlling interests			
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share (RMB / share)	3.12	<b>0.14</b>	0.14
(II) Diluted earnings per share (RMB / share)		<b>0.14</b>	0.14

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements on Pages 25 to 43 have been executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Consolidated Cash Flow Statement

For the six months ended 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		426,484,519.63	320,925,930.12
Refund of taxes and levies			
Other cash received relating to operating activities		7,442,847.33	18,026,723.42
<b>Sub-total of cash inflows from operating activities</b>		<b>433,927,366.96</b>	338,952,653.54
Payment for goods and services		164,686,262.93	191,650,869.68
Payment to and for employees		35,400,960.73	27,860,559.56
Payment of various taxes and levies		25,696,109.97	18,792,399.75
Payment for other cash relating to operating activities		62,904,424.17	33,207,262.65
<b>Sub-total of cash outflows from operating activities</b>		<b>288,687,757.80</b>	271,511,091.64
<b>Net cash flows from operating activities</b>		<b>145,239,609.16</b>	67,441,561.90
<b>II. Cash flows from investing activities:</b>			
Cash received from recovery of investment			
Cash received from return on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		10,000.00	7,122,330.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		22,588,800.00	5,862,684.00
<b>Sub-total of cash inflows from investing activities</b>		<b>22,598,800.00</b>	12,985,014.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		170,226,445.24	89,386,330.26
Cash paid for investments		3,822,500.00	
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Payment for other cash relating to investing activities		102,307,457.51	36,361,270.79
<b>Sub-total of cash outflows from investing activities</b>		<b>276,356,402.75</b>	125,747,601.05
<b>Net cash flows from investing activities</b>		<b>-253,757,602.75</b>	-112,762,587.05

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>III. Cash flows from financing activities:</b>			
Proceeds from investors		23,250,576.00	
Including: cash received from absorption by the subsidiaries of investment of minority shareholders			
Cash received from borrowings		615,000,000.00	330,070,000.00
Cash received from issuing debt securities			
Other cash received relating to financing activities		1,146,034.00	
<b>Sub-total of cash inflows from financing activities</b>		<b>639,396,610.00</b>	330,070,000.00
Cash paid for repayments of borrowings		349,875,844.16	282,045,674.49
Cash paid for dividends, profit distributions or interest		11,984,530.86	11,425,667.11
Including: Dividend and profit paid by the subsidiaries to minority shareholders			
Other cash paid relating to financing activities		5,339,430.81	1,275,123.72
<b>Sub-total of cash outflows from financing activities</b>		<b>367,199,805.83</b>	294,746,465.32
<b>Net cash flow from financing activities</b>		<b>272,196,804.17</b>	35,323,534.68
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-109,093.20</b>	109,886.59
<b>V. Net increase in cash and cash equivalents</b>		<b>163,569,717.38</b>	-9,887,603.88
Add: Balance of cash and cash equivalents at the beginning of the period		388,791,101.39	747,642,372.75
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>552,360,818.77</b>	737,754,768.87

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements.

The Financial Statements on Pages 25 to 43 have been executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting department:</b>
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# Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

Item	January to June 2019												
	Shareholders' equity attributable to the parent company												
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stocks	Other comprehensive income	Special reserve	Surplus reserves	Provisions for general risks	Undistributed profits	Minority equity interests	Total shareholders' equity
<b>I. Balance at the end of the previous year</b>	187,340,000.00				508,790,782.09				37,194,404.27		451,081,546.76		1,184,406,733.12
Add: Changes in accounting policies													
Corrections on errors in the previous period													
Business merger under common control													
Others													
<b>II. Balance at the beginning of this year</b>	187,340,000.00				508,790,782.09				37,194,404.27		451,081,546.76		1,184,406,733.12
<b>III. Change amount for current period (decrease is indicated by "-")</b>	3,340,600.00				19,909,976.00	23,250,576.00			1,712,097.90		12,244,560.31		13,956,658.21
(I) Total comprehensive income											26,695,778.21		26,695,778.21
(II) Shareholders' contributions and decrease of capital	3,340,600.00				19,909,976.00	23,250,576.00							
1. Ordinary shares invested by shareholders	3,340,600.00				19,909,976.00	23,250,576.00							
2. Capital contributed by the holders of other equity instruments													
3. Amount of share-based payment included in shareholders' equity													
4. Others													
(III) Profit distribution									1,712,097.90		-14,451,217.90		-12,739,120.00
1. Appropriation to surplus reserves									1,712,097.90		-1,712,097.90		
2. Appropriation to provisions for general risk													
3. Distribution to shareholders											-12,739,120.00		-12,739,120.00
4. Others													
(IV) Internal carry-over of shareholders' equity													
1. Capital reserve transferred to capital (or share capital)													
2. Surplus reserve transferred to capital (or share capital)													
3. Surplus reserves to recover loss													
4. Retained income transferred from the change in defined benefits plan													
5. Retained income transferred from the change in other comprehensive income													
6. Others													
(V) Special reserves													
1. Appropriation in the current period													
2. Use in the current period													
(VI) Others													
<b>IV. Balance at the end of this year</b>	190,680,600.00				528,700,758.09	23,250,576.00			38,906,502.17		463,326,107.07		1,198,363,391.33

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

**Legal representative:**

**The person in charge of the accounting affairs:**

**The head of the accounting firm:**



# Consolidated Statement of Changes in Shareholders' Equity (Continued)

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

Item	Share capital	Preferred shares	Perpetual bonds	Others	Shareholders' equity attributable to the parent company		Special reserve	Surplus reserves	Provisions for general risks	Undistributed profits	Minority equity interests	Total shareholders' equity
					Capital reserve	Less: Treasury stocks						
<b>I. Balance at the end of the previous year</b>	187,340,000.00				508,790,782.09			32,051,090.62		399,483,322.01		1,127,665,194.72
Add: Changes in accounting policies							6,884,196.22					6,884,196.22
Corrections on errors in the previous period												
Business merger under common control												
Others												
<b>II. Balance at the beginning of this year</b>	187,340,000.00				508,790,782.09			32,051,090.62		399,483,322.01		1,134,549,390.94
<b>III. Change amount for current period (decrease is indicated by "-")</b>							-6,884,196.22	5,143,313.65		51,598,224.75		49,857,342.18
(I) Total comprehensive income										63,533,162.18		63,533,162.18
(II) Shareholders' contributions and decrease of capital												
1. Ordinary shares invested by shareholders												
2. Capital contributed by the holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity												
4. Others												
(III) Profit distribution								5,143,313.65		-18,819,133.65		-13,675,820.00
1. Appropriation to surplus reserves								5,143,313.65		-5,143,313.65		
2. Appropriation to provisions for general risk												
3. Distribution to shareholders										-13,675,820.00		-13,675,820.00
4. Others												
(IV) Internal carry-over of shareholders' equity												
1. Capital reserve transferred to capital (or share capital)												
2. Surplus reserve transferred to capital (or share capital)												
3. Surplus reserves to recover loss												
4. Retained income transferred from the change in defined benefits plan												
5. Retained income transferred from the change in other comprehensive income												
6. Others												
(V) Special reserves												
1. Appropriation in the current period												
2. Use in the current period												
(VI) Others							-6,884,196.22			6,884,196.22		
<b>IV. Balance at the end of this year</b>	187,340,000.00				508,790,782.09			37,194,404.27		451,081,546.76		1,184,406,733.12

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Balance Sheet of the Parent Company

As at 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	30 June 2019	1 January 2019	31 December 2018
<b>Current assets:</b>				
Monetary funds		443,526,226.65	302,152,523.33	302,152,523.33
Trading financial assets				
Derivative financial assets				
Bills receivable			200,000.00	200,000.00
Trade receivables		24,990,616.84	23,220,606.04	23,220,606.04
Prepayments		3,337,121.64	3,171,102.84	3,171,102.84
Other receivables		522,282,939.51	493,110,386.83	493,110,386.83
Including: Interest receivable				
Dividend receivable				
Inventories		17,245,775.25	21,986,320.79	21,986,320.79
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets		8,172,865.47	1,609,155.29	1,609,155.29
<b>Total current assets</b>		<b>1,019,555,545.36</b>	845,450,095.12	845,450,095.12
<b>Non-current assets:</b>				
Debt investments				
Available-for-sale financial assets				
Other debt investments				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments		530,788,965.98	524,788,965.98	524,788,965.98
Other equity instrument investments		44,471.00	44,471.00	44,471.00
Other non-current financial assets				
Investment properties				
Fixed assets		191,582,951.35	199,543,538.13	205,199,246.35
Construction in progress		152,932,669.57	16,629,400.99	16,629,400.99
Bearer biological assets				
Right-of-use assets		9,957,670.09	11,057,568.67	
Intangible assets		57,436,640.92	58,118,767.50	58,118,767.50
Development expenditures				
Goodwill				
Long-term deferred expenses		4,951,456.31	5,242,718.45	5,242,718.45
Deferred income tax assets		3,072,436.77	3,225,755.75	3,225,755.75
Other non-current assets		60,400,000.00	60,400,000.00	60,400,000.00
<b>Total non-current assets</b>		<b>1,011,167,261.99</b>	879,051,186.47	873,649,326.02
<b>Total assets</b>		<b>2,030,722,807.35</b>	1,724,501,281.59	1,719,099,421.14

## Balance Sheet of the Parent Company (Continued)

As at 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	30 June 2019	1 January 2019	31 December 2018
<b>Current liabilities:</b>				
Short-term borrowings		475,000,000.00	420,000,000.00	420,000,000.00
Trading financial liabilities				
Derivative financial liabilities				
Bills payable		51,298,777.92	27,600,029.92	27,600,029.92
Trade payables		39,774,001.33	49,260,919.75	49,260,919.75
Advances from customers				
Contract liabilities		10,074,943.11	19,174,228.30	19,174,228.30
Employee benefits payable		1,917,291.26	2,018,151.21	2,018,151.21
Taxes payable		31,085,625.03	38,217,540.12	38,217,540.12
Other payables		70,484,984.29	57,546,859.24	57,546,859.24
Including: Interests payable		523,250.00	359,274.20	359,274.20
Dividends payable		12,739,120.00		
Liabilities held for sale				
Non-current liabilities due within one year		3,794,133.60	3,781,959.35	3,781,959.35
Other current liabilities				
<b>Total current liabilities</b>		<b>683,429,756.54</b>	617,599,687.89	617,599,687.89
<b>Non-current liabilities:</b>				
Long-term borrowings		258,276,029.95	19,439,300.45	19,439,300.45
Bonds payable				
Including: Preferred shares				
Perpetual bonds				
Lease liabilities		2,940,641.81	5,401,860.45	
Long-term payables				
Estimated liabilities		5,637.58	6,776.34	6,776.34
Deferred income		14,421,875.92	14,786,649.95	14,786,649.95
Deferred income tax liabilities		1,214,858.16	1,214,858.16	1,214,858.16
Other non-current liabilities				
<b>Total non-current liabilities</b>		<b>276,859,043.42</b>	40,849,445.35	35,447,584.90
<b>Total liabilities</b>		<b>960,288,799.96</b>	658,449,133.24	653,047,272.79

## Balance Sheet of the Parent Company (Continued)

As at 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	30 June 2019	1 January 2019	31 December 2018
<b>Shareholders' equity:</b>				
Share capital		190,680,600.00	187,340,000.00	187,340,000.00
Other equity instruments				
Including: Preferred shares				
Perpetual bonds				
Capital reserve		551,212,450.16	531,302,474.16	531,302,474.16
Less: Treasury stocks		23,250,576.00		
Other comprehensive income				
Special reserve				
Surplus reserves		38,906,502.17	37,194,404.27	37,194,404.27
Provisions for general risks				
Undistributed profits		312,885,031.06	310,215,269.92	310,215,269.92
<b>Total Shareholders' equity</b>		<b>1,070,434,007.39</b>	1,066,052,148.35	1,066,052,148.35
<b>Total liabilities and Shareholders' equity</b>		<b>2,030,722,807.35</b>	1,724,501,281.59	1,719,099,421.14

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Income Statement of the Parent Company

For the six months ended 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>I. Operating income</b>		<b>242,188,860.15</b>	237,782,163.43
Less: Operating cost		<b>165,197,205.28</b>	158,160,505.09
Taxes and surcharges		<b>1,244,574.34</b>	1,550,800.44
Selling expenses		<b>24,100,715.06</b>	30,419,016.53
Administrative expenses		<b>18,350,062.16</b>	12,663,197.12
Research and development expenses		<b>2,643,509.63</b>	687,815.98
Financial expenses		<b>11,703,575.60</b>	6,985,698.36
Including: Interest expenses		<b>10,816,730.12</b>	7,788,473.27
Interest income		<b>-747,673.71</b>	-1,308,383.07
Add: Other income		<b>818,817.26</b>	763,200.00
Investment income (loss is indicated by "-")			
Including: Investment income from associated enterprises and joint ventures			
Gain on derecognition of financial assets measured at amortized cost (loss is indicated by "-")			
Net gain from exposure hedging (loss is indicated by "-")			
Gains from changes in fair value (loss is indicated by "-")			
Impairment losses on credit (loss is indicated by "-")		<b>-110,286.77</b>	-41,408.00
Impairment loss on assets (loss is indicated by "-")			
Gains from asset disposal (loss is indicated by "-")		<b>-2,063.05</b>	
<b>II. Operating profit (loss is indicated by "-")</b>		<b>19,655,685.52</b>	28,036,921.91
Add: Non-operating income		<b>227,570.12</b>	83,409.00
Less: Non-operating expenses		<b>191,071.24</b>	1,128,032.98
<b>III. Total profit (total loss is indicated by "-")</b>		<b>19,692,184.40</b>	26,992,297.93
Less: Income tax expenses		<b>2,571,205.36</b>	3,117,293.72
<b>IV. Net profit (net loss is indicated by "-")</b>		<b>17,120,979.04</b>	23,875,004.21
(I) Net profit from continuing operations (net loss is indicated by "-")		<b>17,120,979.04</b>	23,875,004.21
(II) Net profit from discontinued operations (net loss is indicated by "-")			

# Income Statement of the Parent Company (continued)

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>V. Other net comprehensive income after tax</b>			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Change in fair value of the Enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Gain or loss from change in fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Gain or loss on held-to-maturity investments that are reclassified into available-for-sale financial assets			
6. Credit impairment provision for other debt investments			
7. Reserve for cash flow hedging (effective portion of gain or loss on cash flow hedging)			
8. Translation differences of financial statements denominated in foreign currency			
9. Others			
<b>VI. Total comprehensive income</b>		<b>17,120,979.04</b>	<b>23,875,004.21</b>

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Cash Flow Statement of the Parent Company

For the six months ended 30 June 2019 - unaudited  
(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		260,618,255.72	248,053,089.22
Refund of taxes and levies			
Other cash received relating to operating activities		26,638,047.52	52,275,739.57
<b>Sub-total of cash inflows from operating activities</b>		<b>287,256,303.24</b>	300,328,828.79
Payment for goods and services		228,908,280.60	275,849,755.26
Payment to and for employees		14,250,353.64	16,274,948.49
Payment of various taxes and levies		14,818,549.56	16,047,905.15
Payment for other cash relating to operating activities		47,196,928.09	44,578,396.31
<b>Sub-total of cash outflows from operating activities</b>		<b>305,174,111.89</b>	352,751,005.21
<b>Net cash flows from operating activities</b>		<b>-17,917,808.65</b>	-52,422,176.42
<b>II. Cash flows from investing activities:</b>			
Cash received from recovery of investment			
Cash received from return on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,000.00	7,000,000.00
Net cash recovered from disposal of subsidiaries and other business units			
Proceeds from other investing activities		5,900,000.00	2,224.00
<b>Sub-total of cash inflows from investing activities</b>		<b>5,910,000.00</b>	7,002,224.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		134,706,015.82	63,972,881.73
Cash paid for investments		9,822,500.00	1,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Payment for other cash relating to investing activities		39,498,682.98	
<b>Sub-total of cash outflows from investing activities</b>		<b>184,027,198.80</b>	64,972,881.73
<b>Net cash flows from investing activities</b>		<b>-178,117,198.80</b>	-57,970,657.73

## Cash Flow Statement of the Parent Company (Continued)

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

Item	Note	January to June 2019	January to June 2018
<b>III. Cash flows from financing activities:</b>			
Cash received from absorption of investments		23,250,576.00	
Cash received from borrowings		615,000,000.00	310,000,000.00
Cash received from issuing debt securities			
Other cash received relating to financing activities		1,146,034.00	
<b>Sub-total of cash inflows from financing activities</b>		<b>639,396,610.00</b>	310,000,000.00
Cash paid for repayment of borrowings		321,109,654.16	230,045,674.49
Cash paid for dividends, profit distributions or interest		10,942,711.13	9,658,096.82
Other cash paid relating to financing activities		3,425,123.72	1,275,123.72
<b>Sub-total of cash outflows from financing activities</b>		<b>335,477,489.01</b>	240,978,895.03
<b>Net cash flows from financing activities</b>		<b>303,919,120.99</b>	69,021,104.97
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-109,093.20</b>	109,886.59
<b>V. Net increase in cash and cash equivalents</b>		<b>107,775,020.34</b>	-41,261,842.59
Add: Balance of cash and cash equivalents at the beginning of the period		287,852,443.35	685,225,413.30
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>395,627,463.69</b>	643,963,570.71

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Statement of Changes in Shareholders' Equity of the Parent Company

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

	January to June 2019											
	Other equity instruments											
Item	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stocks	Other comprehensive income	Special reserve	Surplus reserves	Provisions for general risks	Undistributed profits	Total shareholders' equity
I. Balance at the end of the previous year	187,340,000.00				531,302,474.16				37,194,404.27		310,215,269.92	1,066,052,148.35
Add: Changes in accounting policies												
Corrections on errors in the previous period												
Others												
II. Balance at the beginning of this year	187,340,000.00				531,302,474.16				37,194,404.27		310,215,269.92	1,066,052,148.35
III. Change amount for current period (decrease is indicated by "-")	3,340,600.00				19,909,976.00	23,250,576.00			1,712,097.90		2,669,761.14	4,381,859.04
(I) Total comprehensive income											17,120,979.04	17,120,979.04
(II) Shareholders' contributions and decrease of capital	3,340,600.00				19,909,976.00	23,250,576.00						
1. Ordinary shares invested by shareholders	3,340,600.00				19,909,976.00	23,250,576.00						
2. Capital contributed by the holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity												
4. Others												
(III) Profit distribution									1,712,097.90		-14,451,217.90	-12,739,120.00
1. Appropriation to surplus reserves									1,712,097.90		-1,712,097.90	
2. Appropriation to provisions for general risk												
3. Distribution to shareholders											-12,739,120.00	-12,739,120.00
4. Others												
(IV) Internal carry-over of shareholders' equity												
1. Capital reserve transferred to capital (or share capital)												
2. Surplus reserve transferred to capital (or share capital)												
3. Surplus reserves to recover loss												
4. Retained income transferred from the change in defined benefits plan												
5. Retained income transferred from the change in other comprehensive income												
6. Others												
(V) Special reserves												
1. Appropriation in the current period												
2. Use in the current period												
(VI) Others												
IV. Balance at the end of this year	190,680,600.00				551,212,450.16	23,250,576.00			38,906,502.17		312,885,031.06	1,070,434,007.39

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

<b>Legal representative:</b>	<b>The person in charge of the accounting affairs:</b>	<b>The head of the accounting firm:</b>
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# Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

For the six months ended 30 June 2019 - unaudited

(Expressed in RMB)

Item	2018					Less: Treasury stocks	Other comprehensive income	Special reserve	Surplus reserves	Provisions for general risks	Undistributed profits	Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve							
<b>I. Balance at the end of the previous year</b>	187,340,000.00				531,302,474.16				32,051,090.62		270,717,070.83	1,021,410,635.61
Add: Changes in accounting policies							6,884,196.22					6,884,196.22
Corrections on errors in the previous period												
Others												
<b>II. Balance at the beginning of this year</b>	187,340,000.00				531,302,474.16		6,884,196.22		32,051,090.62		270,717,070.83	1,028,294,831.83
<b>III. Change amount for current period (decrease is indicated by "-")</b>							-6,884,196.22		5,143,313.65		39,498,199.09	37,757,316.52
(I) Total comprehensive income											51,433,136.52	51,433,136.52
(II) Shareholders' contributions and decrease of capital												
1. Ordinary shares invested by shareholders												
2. Capital contributed by the holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity												
4. Others												
(III) Profit distribution									5,143,313.65		-18,819,133.65	-13,675,820.00
1. Appropriation to surplus reserves									5,143,313.65		-5,143,313.65	
2. Appropriation to provisions for general risk												
3. Distribution to shareholders											-13,675,820.00	-13,675,820.00
4. Others												
(IV) Internal carry-over of shareholders' equity												
1. Capital reserve transferred to capital (or share capital)												
2. Surplus reserve transferred to capital (or share capital)												
3. Surplus reserves to recover loss												
4. Retained income transferred from the change in defined benefits plan												
5. Retained income transferred from the change in other comprehensive income												
6. Others												
(V) Special reserves												
1. Appropriation in the current period												
2. Use in the current period												
(VI) Others							-6,884,196.22				6,884,196.22	
<b>IV. Balance at the end of this year</b>	187,340,000.00				531,302,474.16				37,194,404.27		310,215,269.92	1,066,052,148.35

The Notes to the Financial Statements on Pages 44 to 60 form an integral part of these Financial Statements

The Financial Statements set out on Pages 25 to 43 are executed by the following persons:

**Legal representative:**

**The person in charge of the accounting affairs:**

**The head of the accounting firm:**

# Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

## 1 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, including compliance with the Accounting Standards for Business Enterprises No. 32 — Interim Financial Reporting, issued by the Ministry of Finance (hereinafter referred to as “MOF”). The interim financial report was authorised for issue on 15 August 2019.

Apart from the changes in accounting policies as set out in note 2, the interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 2019. 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 No. 32 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 2018 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 Ruihua Certified Public Accountants (Special General Partnership) 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 (Continued)

(Expressed in RMB unless otherwise indicated)

### 2. THE CHANGES IN ACCOUNTING POLICIES

#### (1) THE CHANGES IN ACCOUNTING POLICIES ARISING FROM THE IMPLEMENTATION OF NEW LEASE STANDARDS

MOF issued “Accounting Standards for Business Enterprises No. 21 — Leases (Amendments in 2018)” (Cai Kuai [2018] No. 35) (hereinafter referred to as “New Lease Standards”) on 7 December 2018, and required the enterprises that are listed in both domestic and overseas markets and the enterprises that are listed overseas and use International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare financial statements to implement such new standards from 1 January 2019.

Upon being resolved and passed by the 24th meeting of the third session of the Board of the Company on 15 August 2019, the Company implemented foregoing new lease standards from 1 January 2019 (hereinafter referred to as the “Initial Implementation Date”) based on the time required by MOF and made changes to relevant accounting policies in accordance with the requirements of new lease standards.

In accordance with the requirements of new lease standards, as for the contracts which have been existed before the initial implementation date, the Company selects not to reevaluate whether they are leases or include leases on the initial implementation date. As for the lease contracts of which the Company acts as the lessee, the Company elects to only make adjustments to the accumulative impact amount from the lease contracts which have not been completed as of 1 January 2019. We have adjusted the amounts of retained earning and other relevant items of the financial statements at the beginning of the initial implementation period (i.e. 1 January 2019) for the accumulative impact amount of the initial implementation, and the information for the comparative period has not been adjusted. The details are as follows:

- ① As for the finance lease as at the initial implementation date, the Company measures the right-of-use assets and lease liabilities at the original carrying amounts of the assets under finance lease and the finance lease payable, respectively.
- ② As for the operating lease as at the initial implementation date, the Company measures the lease liabilities at the present value discounted at the incremental borrowing rate as at the initial implementation date based on the amount of the remaining lease payment. The unpaid rents payable accrued based on the accrual system under the original lease standards shall be included in the amount of the remaining lease payment.

The Company measures the right-of-use assets at the amount equal to the lease liabilities and makes necessary adjustments based on prepaid rents.

# Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

## 2. THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

### (1) THE CHANGES IN ACCOUNTING POLICIES ARISING FROM THE IMPLEMENTATION OF NEW LEASE STANDARDS (Cont'd)

- ③ As at the initial implementation date, the Company made impairment testing on the right-of-use assets and made corresponding accounting treatments in accordance with the requirements of "Accounting Standards for Business Enterprises No. 8 — Assets Impairment".

The impacts of implementing new lease standards on the Company are as follows:

The land assets of the villagers' committees in the regions where the pastures locate in Gansu, Qinghai and Shaanxi leased by the Company and other land assets with lease terms of 5 to 30 years, has been treated as operating lease originally. In accordance with new lease standards, we recognized right-of-use assets of RMB38,367,348.64 (including prepaid rent of RMB2,290,193.07 and rehabilitation fee of RMB359,681.76) and lease liabilities of RMB35,717,473.81 on 1 January 2019.

The machinery and equipment assets of other companies leased by the Company with lease terms of 3 to 5 years, has been treated as finance lease originally. In accordance with new lease standards, we reclassified the amount of RMB14,870,792.81 originally presented in fixed assets to right-of-use assets and reclassified the "finance lease payable" of RMB2,360,888.31 presented in long-term payables to lease liabilities on 1 January 2019.

A. Consolidated balance sheet:

Contents of the changes Items in the statement		Amounts as at 1 January 2019 (after the changes)	Amounts as at 31 December 2018 (before the changes)
Fixed assets	Fixed assets	924,349,962.72	939,220,755.53
Right-of-use assets	Right-of-use assets	53,238,141.45	
Long-term deferred expenses	Long-term deferred expenses	5,831,608.95	8,121,802.02
Lease liabilities	Lease liabilities	38,078,362.12	
Long-term payables	Long-term payables		2,360,888.31
Estimated liabilities	Estimated liabilities	371,085.27	11,403.51

The weighted average of incremental borrowing rates adopted for the lease liabilities of the Company included in the balance sheet as at the initial implementation date is 4.83%.

The present value discounted at 4.83% (the incremental borrowing rate as at the initial implementation date) of the outstanding amount of minimum lease payment of the major operating lease in the end of 2018 as disclosed in the financial statements for the Year 2018 of the Company amounts to RMB35,717,473.81, and its difference from the lease liabilities as at the initial implementation date is RMB0.00.



## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

### 2. THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

#### (1) THE CHANGES IN ACCOUNTING POLICIES ARISING FROM THE IMPLEMENTATION OF NEW LEASE STANDARDS (Cont'd)

B. Balance sheet of the parent company:

Contents of the changes	Items in the statement	Amounts as at 1 January 2019 (after the changes)	Amounts as at 31 December 2018 (before the changes)
Fixed assets	Fixed assets	199,543,538.13	205,199,246.35
Right-of-use assets	Right-of-use assets	11,057,568.67	
Lease liabilities	Lease liabilities	5,401,860.45	—

(2) MOF issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Cai Kuai [2019] No. 6) on 30 April 2019:

- ① The portion with amortization period of only one year or less, or expected to be amortized within one year (including one year), under the item of "Deferred income", shall not be classified as current liabilities and continues to be presented under the item, and shall not transfer to the item of "non-current liabilities due within one year";
  - ② To divide the "Bills receivable and accounts receivable" in the balance sheet into two items: "Bills receivable" and "Accounts receivable"; to divide the "Bills payable and accounts payable" into two items: "Bills payable" and "Accounts payable";
  - ③ The income statement adjusts "Less: Asset impairment loss" to "Add: Asset impairment loss (loss presented as "-")", adjusts "Less: Credit impairment loss" to "Add: Credit impairment loss (loss presented as "-")", and adjusts the location of the two items to after "Gains from changes in fair value".
- (3) The impacts on the consolidated profit statement and the profit statement of the Company for the Year 2019 are as follows:

Items of profit statement	Impacts on consolidated profit statement	Impacts on profit statement of the Company
Operating cost	-282,854.88	-9,036.26
Finance expense	794,776.78	117,490.45
Total	511,921.90	108,454.19

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

### 2. THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

The present value discounted at 4.35%, 4.90%, 6.09% (the incremental borrowing rate as at the initial implementation date) of the outstanding amount of minimum lease payment of the major operating lease of the Company at the end of 2018 amounts to RMB35,717,473.81, and the sum of the discounted amount and the long-term payables (finance lease) of RMB2,360,888.31 amounts to RMB38,078,362.12. And its difference from the lease liabilities as at the initial implementation date is RMB0.00.

Upon being resolved and passed by the 24th meeting of the third session of the Board of the Company on 15 August 2019, according to above requirements, the Company will adjust corresponding data. The impact of adopting new statement format on the Company is as follows:

A. Consolidated balance sheet:

Contents of the changes	Items in the statement	Amounts as at 31 December 2018 (after the change)	Amounts as at 31 December 2018 (before the change)
Deferred income due within one year	Non-current liabilities due within one year	28,381,959.35	33,751,973.50
Deferred income	Deferred income	40,128,588.11	34,758,573.96
Bills receivable and accounts receivable	Bills receivable and accounts receivable		36,674,292.53
Including: Bills receivable	Including: Bills receivable		200,000.00
Accounts receivable	Accounts receivable		36,474,292.53
Bills receivable	Bills receivable	200,000.00	
Accounts receivable	Accounts receivable	36,474,292.53	
Bills payable and accounts payable	Bills payable and accounts payable		195,492,406.72
Bills payable	Bills payable	30,545,185.82	
Accounts payable	Accounts payable	164,947,220.90	

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

### 2. THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Balance sheet of the parent company:

Contents of the changes	Items in the statement	Amounts as at 31 December 2018 (after the change)	Amounts as at 31 December 2018 (before the change)
Deferred income due within one year	Non-current liabilities due within one year	3,781,959.35	5,308,359.35
Deferred income	Deferred income	14,786,649.95	13,260,249.95
Bills receivable and accounts receivable	Bills receivable and accounts receivable		23,420,606.04
Including: Bills receivable	Including: Bills receivable		200,000.00
Accounts receivable	Accounts receivable		23,220,606.04
Bills receivable	Bills receivable	200,000.00	
Accounts receivable	Accounts receivable	23,220,606.04	
Bills payable and accounts payable	Bills payable and accounts payable		76,860,949.67
Bills payable	Bills payable	27,600,029.92	
Accounts payable	Accounts payable	49,260,919.75	

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

### 3. 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 2019 RMB'000	At 31 December 2018 RMB'000
Accounts receivable making provision for bad debts individually		101
Accounts receivable making provision for bad debts by group	42,206	37,186
Sub-total	42,206	37,287
Less: Provision for bad debts	(997)	(813)
Total	41,209	36,474

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

Ageing	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	41,032	36,031
Over 1 year but within 2 years	178	493
Over 2 years but within 3 years	339	106
Over 3 years	658	555
Sub-total	42,206	37,186
Less: Provision for bad debts	(997)	(711)
Total	41,209	36,474

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Balance at the beginning of the year	813	98
Provision made during this year	296	715
Provision recovered or reversed during this year	(11)	
Written off during this year	(101)	
At 30 June / 31 December	997	813

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

### 3. 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 2019 and 31 December 2018 is as follows:

	At 30 June 2019 Heads	At 31 December 2018 Heads
Calves	1,045	2,069
Heifers	2,987	2,839
Milkable cows	5,178	5,196
Total	9,210	10,104

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 RMB'000	Heifers RMB'000	Milkable cows RMB'000	Total RMB'000
Balance as at 31 December 2018	21,021	68,662	180,621	270,304
Balance as at 30 June 2019	11,586	58,941	182,256	252,783

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 3 Accounts payable

##### (1) Ageing analysis

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
<b>Ageing</b>		
Within 1 year (inclusive)	125,494	158,659
Over 1 year but within 2 years (inclusive)	8,102	3,149
2-3 years (inclusive)	1,824	2,589
Over 3 years	1,128	551
<b>Total</b>	<b>136,548</b>	<b>164,947</b>

#### 4 Operating income and operating costs

##### (1) Operating income and operating costs

	Six months ended 30 June			
	2019		2018	
	Income RMB'000	Cost RMB'000	Income RMB'000	Cost RMB'000
Principal activities	388,076	263,266	300,399	188,773
Other operating activities	8,823	4,818	13,224	9,952
<b>Total</b>	<b>396,899</b>	<b>268,084</b>	<b>313,623</b>	<b>198,725</b>

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 4 Operating income and operating costs (Cont'd)

Details of operating income

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Operating income from principal activities		
— Sale of goods	388,076	300,399
Sub-total	388,076	300,399
Other operating income		
— Income from sales of feed	4,848	12,072
— Others	3,975	1,152
Total	396,899	313,623

#### 5 Selling expenses

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Staff cost	9,287	8,678
Freight and miscellaneous charges	13,502	13,560
Consumption of Low cost and short-lived consumable items and materials	5,957	6,676
Travel expenses	1,228	1,534
Promotional fees	6,808	12,334
Depreciation and amortization	1,452	1,158
Others	4,351	1,225
Total	42,585	45,163



## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 6 Administrative expenses

	Six months ended 30 June	
	January to June in 2019	January to June in 2018
Staff cost	12,915	9,590
Maintenance fees	7,169	7,149
Professional service fees	3,399	1,852
Travel expenses	505	326
Depreciation and amortization expenses	4,184	1,737
Office expenses	2,021	1,952
Business entertainment expenses	296	233
Expenses of greening and pollution discharge	2,151	758
Others	6,905	1,124
Total	39,544	24,722

#### 7 Research and development expenses

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Item		
Research and development of new products	5,290	1,061
Total	5,290	1,061

*Note:* In accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15) issued by MOF on 15 June 2018, we are required to add the item of "Research and Development Expenses" and split out the item of "Research and Development Expenses" from the item of "Administrative Expenses". Based on above requirements, the Company will make adjustments to corresponding data.

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 8 Financial expenses

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest expenses from loans and payables	12,708	9,354
Including: Interest expenses	12,708	9,804
Interest subsidies for policy-related preferential loans	—	(450)
Less: interest income	870	1,495
Less: exchange gains	(45)	78
Others	1,854	619
Total	13,737	8,400

#### 9 Gains/(losses) from changes in fair value

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Loss arising from changes in fair value less the cost of sales of biological assets	(1)	(1,417)	(8,800)
Gain arising on initial recognition of agricultural produce at value less the cost of sales at the point of harvest	(2)	4,715	(98)
Total		3,298	(8,898)

- (1) The bearer biological assets held by the Group, the dairy cows, are independently valued by the independent valuers at the balance sheet date. The changes in fair value are recognised in profit or loss.
- (2) Agricultural produce harvested from the Group's biological assets are raw milk. Upon harvest, agricultural produce are initially recognised as inventories at their fair values less the cost of sales at the point of harvest, which are determined based on their market prices quoted in the local area. Any resultant gain or loss arising on initial recognition of such fair values (i.e. the difference between the fair values less the cost of sales of the agricultural produce at the point of harvest and the breeding costs) is recognised in the profit or loss in the period of harvest. Upon subsequent sales, such amount of the inventories initially recognised is charged to the cost of sales in the profit or loss.

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 10 Government grants

##### (1) Government grants related to assets

Subsidy projects	31 December 2018 RMB'000	Grant amount added during this period RMB'000	Amount included in other income during this period RMB'000	30 June 2019 RMB'000
Dairy farming project	22,819	200	1,091	21,927
Dairy product production project	6,876		209	6,668
Biogas project	4,574		180	4,394
Others	5,860	400	486	5,774
Total	40,129	600	1,966	38,763

##### (2) Government grants related to income

Subsidy items	Six months ended 30 June					
	2019			2018		
	Recognition as other income RMB'000	Recognition as non-operating income RMB'000	Offset against financial expense RMB'000	Recognition as other income RMB'000	Recognition as non-operating income RMB'000	Offset against financial expense RMB'000
Financial support items				4,499		
Interest subsidies for policy-related preferential loans						450
Others	32.38	737.13			5	
Total	32.38	737.13		4,499	5	450

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 11 Income tax expenses

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current tax expense	3,955	2,746
Deferred tax expense	(63)	(1,346)
Total	3,892	1,400

#### 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	
	2019 RMB'000	2018 RMB'000
Consolidated net profit attributable to ordinary shareholders of the Company	26,696	26,326
Weighted average number of ordinary shares outstanding	190,681	187,340
Basic earnings per share (RMB/share)	0.14	0.14

- (i) On 21 June 2019, the Company issued 3,340,600 ordinary shares with nominal value of RMB1 to 84 incentive targets on an oriented basis at a grant price of RMB6.96 per share. Share capital was increased by RMB3,340,600.00 and the balance of RMB19,909,976.00 was included in capital reserve.

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

### 3. 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 2019.
- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

Item	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.068 cents per share (six months ended 30 June 2019: Nil)	12,739	13,676
Total	12,739	13,676

It was resolved at the 2018 annual general meeting of the Company convened on 27 June 2019 to distribute dividends in cash at RMB0.68 (tax inclusive) per 10 shares to all shareholders with the profit available for distribution realized in 2018 and the total dividends distributed amounted to RMB12,739,120.00. From the disclosure of interest distribution scheme for the Year 2018 to the implementation period, the total share capital of the Company increased due to the registration of restrictive shares grant. Based on the principle of total allocation remaining unchanged, the allocation proportion was adjusted as distributing cash dividend of RMB0.668 (tax inclusive) for every 10 shares.

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 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

#### (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).

Operating results represent 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.

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:

## Notes to the Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

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

#### 14 Segment reporting (Cont'd)

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

Item	Dairy farming		Dairy products production		Elimination among segment		Total	
	January to	January to	January to	January to	January to	January to	January to	January to
	June in	June in	June in	June in	June in	June in	June in	June in
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external transactions	4,222	13,224	392,677	300,399			396,899	313,623
Revenue from inter-segment transactions	115,114	81,109			-115,114	-81,109		
Depreciation and amortization expenses	12,834	10,841	16,376	11,090			29,210	21,930
Interest income	60	1,338	810	157			870	1,495
Interest expense	900		11,807	9,354			12,708	9,354
Total profits / (losses)	6,165	8,045	24,423	19,680			30,588	27,725
Income tax expenses			3,892	1,400			3,892	1,400
Net profits / (losses)	6,165	7,918	20,530	18,408			26,696	26,326
Total assets	915,590	749,280	2,022,910	1,596,064	-566,120	-468,451	2,372,379	1,876,892
Total liabilities	707,030	524,490	1,033,106	680,539	-566,120	-468,451	1,174,016	736,577
Increase in non-current assets	24,962	103,238	129,566				154,527	103,238