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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1431)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**INTERIM RESULTS**

The board of directors (the “**Directors**” and the “**Board**”, respectively) of YuanShengTai Dairy Farm Limited (the “**Company**” or “**YuanShengTai**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with selected explanatory notes and the relevant comparative figures.

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

*For the six months ended 30 June 2022*

		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>REVENUE</b>	4	<b>1,009,035</b>	837,439
Cost of sales		<u>(736,907)</u>	<u>(608,476)</u>
Gross profit		<b>272,128</b>	228,963
Other income and gains		<b>56,317</b>	20,257
Administrative expenses		<b>(67,623)</b>	(49,846)
Other expenses		<b>(20,223)</b>	(18,498)
Finance costs		<b>(2,559)</b>	(1,767)
Changes in fair value less costs to sell of biological assets	10	<u><b>(185,380)</b></u>	<u>(81,077)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>52,660</b>	98,032
Income tax expense		<u>—</u>	<u>—</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>52,660</b></u>	<u>98,032</u>
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(2,421)</u>	<u>(97)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>50,239</b></u>	<u>97,935</u>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<u><b>52,660</b></u>	<u>98,032</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<u><b>50,239</b></u>	<u>97,935</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted (expressed in RMB per share)	8	<u><b>0.011</b></u>	<u>0.021</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	3,487,596	3,206,392
Investment properties		120,793	77,469
Right-of-use assets		75,602	78,117
Prepayments and other receivables		279,243	58,124
Biological assets	10	<u>1,872,000</u>	<u>1,707,317</u>
Total non-current assets		<u>5,835,234</u>	<u>5,127,419</u>
<b>CURRENT ASSETS</b>			
Inventories		311,507	543,306
Trade receivables	11	75,712	52,874
Prepayments and other receivables		8,604	5,305
Cash and cash equivalents	12	<u>893,452</u>	<u>959,411</u>
Total current assets		<u>1,289,275</u>	<u>1,560,896</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	230,415	282,252
Other payables and accruals	14	942,631	682,244
Interest-bearing bank and other borrowings		75,200	–
Lease liabilities		<u>19,798</u>	<u>11,563</u>
Total current liabilities		<u>1,268,044</u>	<u>976,059</u>
<b>NET CURRENT ASSETS</b>		<u>21,231</u>	<u>584,837</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,856,465</u>	<u>5,712,256</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	14	392,408	402,411
Interest-bearing bank and other borrowings		266,400	190,000
Lease liabilities		<u>88,820</u>	<u>67,047</u>
Total non-current liabilities		<u>747,628</u>	<u>659,458</u>
<b>NET ASSETS</b>		<u>5,108,837</u>	<u>5,052,798</u>
<b>EQUITY</b>			
Share capital	15	37,674	37,674
Reserves		<u>5,071,163</u>	<u>5,015,124</u>
Total equity		<u>5,108,837</u>	<u>5,052,798</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the Period has been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or International Financial Reporting Interpretations Committee (“IFRIC”) Interpretation 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC Interpretation 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the Period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the Period, the amendment did not have any impact on the financial position or performance of the Group.
- *IFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

### 3. OPERATING SEGMENT INFORMATION

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

### 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of raw milk	<u>1,009,035</u>	<u>837,439</u>

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

Segments	For the six months ended 30 June	
	2022 Sale of raw milk RMB'000	2021 Sale of raw milk RMB'000
<b>Type of goods</b>		
Sale of raw milk	<u>1,009,035</u>	<u>837,439</u>
Total revenue from contracts with customers	<u>1,009,035</u>	<u>837,439</u>
<b>Geographical market</b>		
Mainland China	<u>1,009,035</u>	<u>837,439</u>
Total revenue from contracts with customers	<u>1,009,035</u>	<u>837,439</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>1,009,035</u>	<u>837,439</u>
Total revenue from contracts with customers	<u>1,009,035</u>	<u>837,439</u>

## 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Breeding costs to produce	533,997	436,084
Production costs for raw milk	<u>202,910</u>	<u>172,392</u>
Cost of sales	<u><u>736,907</u></u>	<u><u>608,476</u></u>
Depreciation in property, plant and equipment	97,596	72,006
Less: Capitalised in biological assets	<u>(51,162)</u>	<u>(31,711)</u>
Depreciation recognised in the statement of profit or loss and other comprehensive income*	<u><u>46,434</u></u>	<u><u>40,295</u></u>
Depreciation in right-of-use assets	2,626	2,554
Depreciation of investment properties	8,718	6,018
Auditors' remuneration	1,650	1,600
Changes in fair value less costs to sell of biological assets	185,380	81,077
Lease payments for short-term leases	35	44
Employee benefit expenses excluding directors' and chief executive's remuneration		
Wages and salaries	85,510	63,926
Pension scheme contributions	25,231	13,483
Equity-settled share option expense	2,926	–
Less: Capitalised in biological assets	<u>(40,321)</u>	<u>(25,681)</u>
Employee benefit expenses excluding directors' and chief executive's remuneration recognised in the statement of profit or loss and other comprehensive income**	<u><u>73,346</u></u>	<u><u>51,728</u></u>
Loss on disposal of items of property, plant and equipment	658	1,232
Foreign exchange differences, net	<u>(1,040)</u>	10,716

\* Depreciation of approximately RMB45,673,000 (six months ended 30 June 2021: RMB39,708,000) is included in the cost of sales on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income for the Period.

\*\* Employee benefit expenses of approximately RMB50,711,000 (six months ended 30 June 2021: RMB42,308,000) is included in the cost of sales on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income for the Period.

## 6. INCOME TAX

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

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

## 7. DIVIDENDS

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

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

The calculation of the basic and diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company of RMB52,660,000 (unaudited) (2021: RMB98,032,000 (unaudited)) and the weighted average number of ordinary shares is 4,690,496,400 (unaudited) (2021: 4,690,496,400 (unaudited)) shares in issue during the Period. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 30 June 2021.

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation	<u>52,660</u>	<u>98,032</u>
	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic/diluted earnings per share calculation	<u>4,690,496,400</u>	<u>4,690,496,400</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired assets with a cost of RMB291,148,000 (unaudited) (30 June 2021: RMB142,818,000 (unaudited)), excluding property, plant and equipment acquired through a business combination disclosed in note 16 to the interim condensed consolidated financial information.

Assets with a net book value of RMB3,444,000 (unaudited) were disposed by the Group during the Period (30 June 2021: RMB1,302,000 (unaudited)), resulting in a net loss on disposal of RMB658,000 (unaudited) (30 June 2021: RMB1,232,000 (unaudited)).

## 10. BIOLOGICAL ASSETS

### A – Nature of activities

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

The quantity of dairy cows owned by the Group as at 30 June 2022 and 31 December 2021 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held as at 30 June 2022 and 31 December 2021 were dairy cows that have not had their first calves.

	<b>30 June 2022</b> <b>(Unaudited)</b> <b>Heads</b>	31 December 2021 (Audited) Heads
Dairy cows		
Milkable cows	<b>38,180</b>	36,290
Heifers and calves	<b>46,439</b>	43,276
	<hr/>	<hr/>
Total dairy cows	<b>84,619</b>	79,566
	<hr/> <hr/>	<hr/> <hr/>

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

In general, the heifers are inseminated with semen when they reached approximately 16 months old. After approximately nine months following a successful insemination, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days before an approximately 60 days' dry period.

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

The quantity of dairy goats owned by the Group as at 30 June 2022 is shown below. The Group's dairy goats contain lambs, young goats and milkable goats. Lambs and young goats held at 30 June 2022 were dairy goats that have not had their first lambs.

	<b>30 June 2022</b> <b>(Unaudited)</b> <b>Heads</b>
Dairy goats	
Milkable goats	<b>5,064</b>
Lambs and young goats	<b>1,605</b>
	<hr/>
Total dairy goats	<b>6,669</b>
	<hr/> <hr/>

The Group is exposed to fair value risks arising from changes in the prices of the dairy goats. The fair value of the dairy goats is determined with reference to the market prices of items with similar age, breed and genetic merit. There is an active market for dairy goats in the Mainland China.

#### **B – Value of dairy cows and goats**

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

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 <b>RMB'000</b> <b>(Audited)</b>	
Dairy cows	<b>1,833,300</b>	<b>1,707,317</b>	
	<hr/> <hr/>	<hr/> <hr/>	
	<b>Heifers and calves</b> <i>RMB'000</i>	<b>Milkable cows</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Balance as at 1 January 2021	542,957	898,983	1,441,940
Increase due to raising (feeding costs and others)	565,802	–	565,802
Increase due to purchase	65,707	–	65,707
Increase due to acquisition of a business	12,710	17,820	30,530
Transfer (out)/in	(376,341)	376,341	–
Decrease due to sales	(50,478)	(108,443)	(158,921)
Gain/(loss) arising from changes in fair value less costs to sell	1,746	(239,487)	(237,741)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2021 and 1 January 2022 (audited)	<b>762,103</b>	<b>945,214</b>	<b>1,707,317</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Increase due to raising (feeding costs and others)	<b>382,462</b>	–	<b>382,462</b>
Transfer (out)/in	<b>(258,809)</b>	<b>258,809</b>	–
Decrease due to sales	<b>(17,270)</b>	<b>(64,320)</b>	<b>(81,590)</b>
Loss arising from changes in fair value less costs to sell	<b>(24,147)</b>	<b>(150,742)</b>	<b>(174,889)</b>
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2022 (unaudited)	<b>844,339</b>	<b>988,961</b>	<b>1,833,300</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>		
Dairy goats			<b>38,700</b>
	<b>Lambs and young goats</b>	<b>Milkable goats</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance as at 1 January 2022	–	–	–
Increase due to acquisition of a business	<b>24,263</b>	<b>20,524</b>	<b>44,787</b>
Increase due to raising (feeding costs and others)	<b>4,688</b>	–	<b>4,688</b>
Transfer (out)/in	<b>(15,046)</b>	<b>15,046</b>	–
Decrease due to sales	<b>(110)</b>	<b>(174)</b>	<b>(284)</b>
Loss arising from changes in fair value less costs to sell	<b>(5,403)</b>	<b>(5,088)</b>	<b>(10,491)</b>
Balance as at 30 June 2022 (unaudited)	<b>8,392</b>	<b>30,308</b>	<b>38,700</b>

#### C – Fair value hierarchy

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

	<b>Fair value measurement using significant unobservable inputs (Level 3) RMB'000</b>
As at 30 June 2022 (unaudited)	<b>1,872,000</b>
As at 31 December 2021 (audited)	<b>1,707,317</b>

#### 11. TRADE RECEIVABLES

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

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 <b>RMB'000</b> <b>(Audited)</b>
Within 1 month	<b>75,712</b>	<b>52,874</b>

## 12. CASH AND CASH EQUIVALENTS

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Cash and bank balances	297,604	521,736
Time deposits	595,848	437,675
	<u>893,452</u>	<u>959,411</u>

## 13. TRADE PAYABLES

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

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Within 2 months	160,561	230,298
2 to 6 months	48,208	35,874
6 to 12 months	15,168	9,787
Over 1 year	6,478	6,293
	<u>230,415</u>	<u>282,252</u>

## 14. OTHER PAYABLES AND ACCRUALS

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Deferred income	410,125	419,995
Contract liabilities	562,344	347,519
Other payables – construction	168,423	150,121
Other payables – equipment and materials	39,235	24,852
Others	154,912	142,168
	<u>1,335,039</u>	<u>1,084,655</u>
<b>Non-current portion</b>		
Deferred income	<u>(392,408)</u>	<u>(402,411)</u>
	<u>942,631</u>	<u>682,244</u>

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

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

**15. SHARE CAPITAL**

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u><b>406,897</b></u>	<u>406,897</u>
Issued and fully paid:		
4,690,496,400 ordinary shares of HK\$0.01 each	<u><b>37,674</b></u>	<u>37,674</u>

**16. BUSINESS COMBINATION**

On 1 January 2022, the Group acquired certain assets from an unaffiliated party engaged in the production and sale of raw goat milk. The acquisition was made as part of the Group's strategy to expand its business in the fast-growing goat milk market in the Mainland China and diversify and expand new product lines to meet the customer's need for goat milk powder products in the Mainland China. The purchase consideration for the acquisition was in the form of cash in the amount of RMB135,883,000.

As acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs, which meets the definition of a business outlined in IFRS 3, the Group determines the acquisition as business combination.

The fair values of the identifiable assets and liabilities acquired as at the date of acquisition were as follows:

	<i>Note</i>	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>
Property, plant and equipment		91,096
Biological assets	<i>10</i>	<u>44,787</u>
Total identifiable net assets at fair value		<u>135,883</u>
Satisfied by cash		<u><u>135,883</u></u>

The Group incurred transaction costs of RMB75,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition is as follows:

	<i>RMB'000</i>
Cash consideration	<u>135,883</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(135,883)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(75)</u>
	<u><u>(135,958)</u></u>

Since the acquisition, the acquired business contributed RMB5,628,000 to the Group's revenue and resulted in a loss of RMB17,829,000 to the consolidated profit for the Period.

## 17. COMMITMENTS

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

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Plant and machinery	185,968	79,032
Dairy cows	157,250	–
	<u>343,218</u>	<u>79,032</u>

## 18. RELATED PARTY TRANSACTIONS

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Unaudited)
Sale of raw milk	<u>858,216</u>	<u>815,281</u>

The Group had an outstanding balance of contract liabilities due to China Feihe Limited (included in other payables and accruals) amounting to RMB562,344,000 (unaudited) as at 30 June 2022 (31 December 2021: RMB347,519,000 (audited)). This balance is unsecured, interest-free and has no fixed terms of repayment.

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 <i>RMB'000</i> (Unaudited)
Short term employee benefits	2,199	1,880
Post-employment benefits	332	261
Equity-settled share option expense	<u>2,874</u>	–
Total compensation paid to key management personnel	<u>5,405</u>	<u>2,141</u>

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

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	<u>341,600</u>	<u>190,000</u>	<u>341,526</u>	<u>190,180</u>

Management has assessed that the fair values of cash and cash equivalents, time deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for other borrowing as at 30 June 2022 were assessed to be insignificant.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At 30 June 2022 (unaudited)				
Interest-bearing bank and other borrowings	<u>–</u>	<u>341,526</u>	<u>–</u>	<u>341,526</u>
At 31 December 2021 (audited)				
Interest-bearing bank and other borrowings	<u>-</u>	<u>190,180</u>	<u>-</u>	<u>190,180</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 (31 December 2021: Nil).

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (year ended 31 December 2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

In the first half of 2022, the international situation was complex and critical. The black swan events, such as the Ukraine crisis and the Federal Reserve's continuous interest rate hikes, caused turbulence in the international economic and financial situation. The world experienced a marked slowdown in economic growth. The repeated outbreak of the COVID-19 pandemic (the “**Pandemic**”) in several key cities across the country had a certain impact on the national economic stability. According to the data released by the National Bureau of Statistics, the total gross domestic product (GDP) of the Peoples' Republic of China (the “**PRC**” or “**China**”) in the first half of 2022 amounted to RMB56.26 trillion, representing a year-on-year increase of 2.5% and the per capita disposable income in China in the first half of 2022 amounted to RMB18,463, representing a year-on-year increase of 4.7%. With the gradual economic revival and the growth in national income in China, the consumer market gradually improved, and a number of sectors that were badly hit by the Pandemic gradually recovered. Meanwhile, the development of the dairy industry is also full of new drivers. The sustained consumption upgrade of the Chinese market and the post-Pandemic era have raised the Chinese consumers' awareness about health and food. With the increasing awareness of the health benefits of dairy products, consumers have stronger demand for raw milk. In 2021, China's per capita consumption of dairy products was equivalent to 38.3 kilograms of fresh milk, representing approximately one third of the world's average. According to “Chinese Dietary Guidelines (2022)”, the Chinese Nutrition Society encourages intake of milk and dairy products by increasing the recommended daily consumption of milk and dairy products from 300 grams in 2016 to 500 grams in 2022. With the continuous increase in the penetration rate of dairy products and the intergenerational changes, there is still much room for improvement in the per capita consumption of dairy products in China.

According to the data released by the National Bureau of Statistics, the national dairy product output from January through May 2022 was 12.427 million tonnes, representing a year-on-year increase of 0.9%. The growth in dairy product output still outpaced that of raw milk supply, and there still remains a tight balance between the demand and supply. In addition, due to the tightening environmental standards in China, the rising prices of bulk raw materials brought about by trade frictions, and the impact of the Pandemic, the barriers to the dairy farming industry became higher and higher, and large-scale animal farming groups were encouraged to pursue large-scale operation. On 16 February 2022, the Ministry of Agriculture and Rural Affairs of the People's Republic of China issued the Action Plan for Improving the Competitiveness of Dairy Industry in the 14th Five-Year Plan (《“十四五”奶業競爭力提升行動方案》), which provides an outline of the ministry's goal: by 2025, the national milk output will reach approximately 41 million tonnes. In the long run, high-quality raw milk will be mainly produced and supplied by large-scale farms, and the upstream high-quality milk sources are the cornerstones for the steady development of the industry. With the effective implementation of relevant national policies, animal husbandry on large-scale farms will become a norm, and China's raw milk supply market will be further concentrated. Meanwhile, the expansion of the herd will promote the improvement of breeding standards of farms, and the established production enterprises with outstanding technical capabilities will prosper. The Company is expected to benefit from the industry's upward cycle and further leverage on its advantages as the industry leader.

As a leading dairy farming company in the PRC, the Group will continue to maintain its diversification and modernization development strategy. By adjusting the size of the herd and improving the breeding and production technology, the Group strives to achieve better production and operation results. YuanShengTai will implement rigorous quality supervision by adjusting the herb mix and further strengthening standardized production of milk sources, and provide the highest quality raw milk to consumers.

### **Business Review**

In terms of herd size and production volume, YuanShengTai is one of the leading dairy farming companies in the PRC. During the Period, the total sales volume of raw milk of the Group increased to 193,180 tonnes from 179,824 tonnes in the same period of 2021. Total sales of fresh milk amounted to RMB1,009.0 million during the Period, representing an increase of 20.5% as compared with the first half of 2021. The gross profit amounted to RMB272.1 million for the Period, representing an increase of 18.9% as compared with the same period of last year. The Group's net profit for the Period decreased by 46.3% to RMB52.7 million from RMB98.0 million for the same period in 2021. The feed cost increased by approximately 22.5% as compared with the same period of last year due to the increase in the price of imported hay feed amidst the Pandemic during the Period. However, the Group effectively controlled certain production costs, and improved sales performance and overall profitability by adjusting the feeding formula to partially offset the cost pressure caused by the increase in feed prices.

Since its establishment, the Group has built long-term and stable relationship with leading dairy manufacturers in China. In the first half of 2022, the Company's two major customers were China Feihe Limited and China Mengniu Dairy Company Limited, together with their subsidiaries. Both major customers continued to expand their product portfolio and develop the international market with the support of preferential policies from the PRC government, which will definitely continue to benefit the development of the Group's business. Revenue from these two major customers accounted for nearly 98% of the Group's revenue. In the future, the Group expects to continue to supply raw milk products to these two major customers on a long-term basis, and is committed to providing raw milk with the highest safety and nutritional standards in China.

### ***Construction of Farms***

As of 30 June 2022, we had eight dairy cow farms in Heilongjiang Province, one dairy cow farm in Jilin Province, and one dairy goat farm in Shaanxi Province, respectively. Each dairy cow farm had an actual designed capacity ranging from 1,960 to 30,000 dairy cows, and the total site area of the nine dairy cow farms amounted to approximately 7,791,700 square metres. The dairy goat farm had an actual designed capacity of 20,000 dairy goats, and the site area of the dairy goat farm amounted to 429,133 square metres. The new farms of the Group under construction are Yi'an Farm and Bei'an Farm, respectively which are expected to start raising heifers by the end of 2022.

	<b>Actual Designed Capacity (Number of Cows or Goats)</b>	<b>Actual Inventory Number</b>	<b>Area (m<sup>2</sup>)</b>
Gannan Farm	12,000	11,795	986,333
Kedong Heping Farm	6,000	5,364	384,000
Kedong Ruixinda Farm	18,000	9,820	784,000
Kedong Yongjin Farm	12,000	8,686	714,000
Zhenlai Farm	30,000	20,194	2,066,667
Baiquan Farm	15,000	8,566	994,000
Keshan Farm	12,000	10,329	980,000
Longjiang Ruixincheng Farm	1,960	1,676	84,300
Longjiang Jinyuan Farm	12,000	8,189	798,400
Ruixiangchengda Farm	20,000	6,669	429,133
	<u>138,960</u>	<u>91,288</u>	<u>8,220,833</u>
Total	<u>138,960</u>	<u>91,288</u>	<u>8,220,833</u>

### ***Milk Yield***

During the Period, the average annual milk yield per cow was 10.9 tonnes, representing an increase of 0.9% as compared with 10.8 tonnes in the first half of 2021, and the average annual milk yield per goat was 0.7 tonnes during the Period. As operation of farms become more mature and stable, and the age mix of cattle and the cattle mix are upgraded and optimized, the Group expects that the average milk yield of herds will continue to increase. In the future, the Group will achieve scientific, standardized and quality farming by expanding production and operation and improving the feeding formula.

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

Benefiting from the advanced management system of our farms, the number of dairy cows of the Group's dairy farms increased from 72,321 heads as of 30 June 2021 to 84,619 heads as of 30 June 2022. In particular, the total number of our matured milkable cows steadily increased from 35,057 heads as of 30 June 2021 to 38,180 heads as of 30 June 2022. The number of dairy goats was 6,669 heads as of 30 June 2022, including 5,064 matured milkable goats and 1,605 lambs and young goats. The increase in the number of our matured milkable cows and goats further contributed to the constant supply of quality raw milk of the Group.

	<b>30 June 2022</b>	30 June 2021
Number of matured milkable cows	<b>38,180</b>	35,057
Number of heifers and calves	<b>46,439</b>	37,264
	<u>84,619</u>	<u>72,321</u>
Total number of dairy cows	<u>84,619</u>	<u>72,321</u>

30 June 2022

Number of matured milkable goats	5,064
Number of lambs and young goats	1,605
	<hr/>
Total number of dairy goats	6,669
	<hr/> <hr/>

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

In the first half of 2022, the overall domestic demand for dairy products increased, and the supply and demand became balanced again but remained tight. During the Period, benefiting from the increase in the sales of dairy products from downstream customers, demand for the Group's raw milk was strong, leading to rises of milk prices. During the Period, the average selling price of the Group's raw cow milk was RMB5,223 per tonne (six months ended 30 June 2021: RMB4,657 per tonne for the Group), representing an increase of 12.2% as compared with the same period of last year. The average selling price of the Group's raw goat milk was RMB7,324 per tonne during the Period.

### **Outlook**

After years of healthy development of China's dairy product market, the quality and safety of raw milk have been continuously improved, and the development of dairy farming has grown on a larger scale. China's dairy industry has made a good start in the first year of the "14th Five-Year Plan". As the Pandemic is gradually alleviated and brought under control in China, work and production are resumed in key cities and China's economy continues to recover steadily. Production and demand continues to pick up, and the dairy industry is stable while improving. We believe that the dairy industry is expected to prosper in an all-round way.

On the other hand, on 8 June 2022, five departments, including the Ministry of Industry and Information Technology, jointly issued the "Guiding Opinions on Promoting the High-Quality Development of Light Industry", proposing that efforts should be made to accelerate the process of completing and strengthening the supply chain of the industrial chain, and support the construction of high-quality raw material bases in dairy products, grains and oils and other industries. At the same time, efforts should be made to improve branding services so as to form a number of internationally renowned brands in dairy products and other fields. With the continuous concentration of the downstream dairy sectors, dairy enterprises across the country are competing for product innovation and opening up new market segments on the basis of improving their own brand advantages. The Group will also continue to develop high-standard large-scale farming and provide high-quality milk sources to meet the growing and diversified demands for domestic dairy product brands.

In recent years, the PRC government advocates increasing the self-sufficiency rate of raw milk, and the supply of high-quality raw milk will reduce China's dependence on imports. According to Frost & Sullivan, as of 2020, the proportion of large-scale farms in China has reached 67%, which is expected to increase to 75% by 2025. The raw milk to be consumed by Chinese dairy manufacturers for manufacturing dairy products is expected to reach 36.4 million tonnes in 2025, accounting for 58.3% of the total raw milk required for manufacturing dairy products in China. The Group will seize the market opportunities to improve its operational effectiveness and increase the average annual yield of dairy cows, while striving to expand its operational scale. We will continue to improve its production and management level, achieve sustainable comprehensive profitability, and contribute to the high-standard modernization of China's dairy industry.

## Our Revenue

During the Period, our total sales of milk produced increased by 20.5% to RMB1,009.0 million as compared with RMB837.4 million for the six months ended 30 June 2021. The increase of the total sales mainly benefited from an increase in the demand of raw milk. The average selling price of our raw milk reached RMB5,223 per tonne compared with RMB4,657 per tonne for the six months ended 30 June 2021, representing an increase of 12.2%. The sales volume reached 193,180 tonnes, representing an increase of 7.4% as compared with 179,824 tonnes for the six months ended 30 June 2021.

## Cost of Sales

Our cost of sales for the Period was RMB736.9 million. The table below summarizes the components of our cost of sales by nature for the six months ended 30 June 2022 and 2021:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost of sales		
Feed	533,995	436,084
Salary, welfare and social insurance	50,390	42,308
Depreciation	45,673	39,709
Veterinary cost	26,567	26,066
Utility	43,496	31,864
Transportation expenses	14,308	13,154
Other cost	22,478	19,291
	<u>736,907</u>	<u>608,476</u>
Cost of sales, total	<u>736,907</u>	<u>608,476</u>

Feed costs represent the feed consumed by our milkable cows and goats. The feed costs for milkable cows and milkable goats were RMB534.0 million and RMB436.1 million for the six months ended 30 June 2022 and 2021, respectively, representing 72.5% and 71.7% of the cost of sales for the respective six months ended 30 June 2022 and 2021. The increase in our feed costs was attributable to the increases in (i) the number of milkable cows and goats; and (ii) the price of hay feed.

## Gross Profit

Resulted from the factors discussed above, the gross profit increased to RMB272.1 million for the Period (six months ended 30 June 2021: RMB229.0 million), representing an increase of 18.9%. Our gross profit margin decreased from 27.3% for the six months ended 30 June 2021 to 27.0% for the Period.

### **Other Income and Gains**

Other income and gains for the six months ended 30 June 2022 and 2021 amounted to RMB56.3 million and RMB20.3 million, respectively, representing an increase of 178.0%. The increase in other income and gains was attributable to the increases in (i) subsidies for the construction of Yi'an Farm; and (ii) income from land subleases generated by Zhenlai Farm and Yi'an Farm. In order to ensure the stable supply of feeds, Zhenlai Farm and Yi'an Farm leased several parcels of land which were sublet afterwards for growing feeds. This business is a sub-lease business under the operating lease model, and sub-lease income was recognized.

### **Administrative Expenses**

We incurred administrative expenses of RMB67.6 million for the Period, representing an increase of approximately 35.7% as compared to RMB49.8 million for the six months ended 30 June 2021. The increase was attributable to the increases in wages, salaries and taxation.

### **Other Expenses**

We incurred other expenses of RMB20.2 million for the Period from RMB18.5 million for the six months ended 30 June 2021, representing an increase of approximately 9.3%. The increase in other expenses was attributable to the increases in expenses on land sub-lease incurred by Zhenlai Farm and Yi'an Farm.

### **Changes in Fair Value Less Costs to Sell of Biological Assets**

Loss on changes in fair value less costs to sell of biological assets was RMB185.4 million for the Period as compared with a loss of RMB81.1 million for the six months ended 30 June 2021. The increase was attributable to the increase in feeding costs.

### **Profit of the Group for the Period**

As a result of all the above factors, the Group recorded a net profit of RMB52.7 million for the Period, as compared with a net profit of RMB98.0 million for the six months ended 30 June 2021. The decrease in net profit was mainly attributable to the increases in (i) price of hay feed; and (ii) loss on changes in fair value less cost to the sale of biological assets. Basic earnings per share was approximately RMB1.1 cents for the Period (six months ended 30 June 2021: RMB2.1 cents).

### **Interim Dividend**

The Board has resolved not to declare the payment of any interim dividend for the Period (six months ended 30 June 2021: Nil).

## **Liquidity and Financial Resources**

For the Period, the Group's net cash inflow from operating activities amounted to RMB668.8 million, as compared to RMB315.8 million for the six months ended 30 June 2021. As at 30 June 2022, the Group had cash and cash equivalents of RMB893.5 million (31 December 2021: RMB959.4 million). Except for cash and cash equivalents equivalent to RMB19.2 million which were denominated in United States dollars ("USD") and RMB36.5 million which were denominated in Hong Kong dollars ("HKD"), the Group's remaining cash and cash equivalents were denominated in RMB.

The Group had interest-bearing bank and other borrowings of RMB341.6 million as at 30 June 2022 (31 December 2021: RMB190.0 million) which was denominated in RMB. The annual interest rate of the bank and other borrowings as at 30 June 2022 ranged from 3.00% to 3.85% (31 December 2021: 5.22%).

## **Capital Structure**

As at 30 June 2022, the Company's issued share capital was HK\$46,904,964 divided into 4,690,496,400 ordinary shares of HK\$0.01 each (the "Shares"). The Company did not issue any new Shares during the Period.

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

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

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

Save as disclosed above and in the Prospectus, there were no significant investments held as at 30 June 2022 nor were there other plans for material investments on capital assets as at the date of this announcement.

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

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

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

	<b>Planned use of net proceeds from the IPO (as stated in the Prospectus) HK\$ million</b>	<b>Actual use of net proceeds from the IPO up to 30 June 2022 HK\$ million</b>	<b>Actual use of net proceeds from the IPO during the Period HK\$ million</b>	<b>Unused net proceeds from the IPO as at 30 June 2022 HK\$ million</b>
Construction of new farms	1,923.0	1,923.0	–	–
Develop upstream operations	384.6	36.8	–	347.8
Working capital and general corporate purpose	<u>256.4</u>	<u>256.4</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<b><u>2,564.0</u></b>	<b><u>2,216.2</u></b>	<b><u>–</u></b>	<b><u>347.8</u></b>

The unused net proceeds, being approximately HK\$347.8 million, are expected to be used by end of 2023 and in accordance with the Company’s plan as disclosed in the Prospectus (i.e. to develop upstream operations). The original expected timeline for the unused net proceeds in respect of developing upstream operations was 31 December 2021. The delay in the use of net proceeds arose due to the suspension of upstream operations caused by the Pandemic. A detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

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

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

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

	<b>Planned use of net proceeds from the Placing (as stated in the announcement of the Company dated 23 December 2016) HK\$ million</b>	<b>Actual use of net proceeds from the Placing up to 30 June 2022 HK\$ million</b>	<b>Actual use of net proceeds from the Placing during the Period HK\$ million</b>	<b>Unused net proceeds from the Placing as at 30 June 2022 HK\$ million</b>
Importing heifers and calves from Australia and New Zealand and general working capital	384.6	298.5	120.6	86.1
Total	<u>384.6</u>	<u>298.5</u>	<u>120.6</u>	<u>86.1</u>

The unused net proceeds, being approximately HK\$86.1 million, are expected to be used as intended by end of 2023. The original expected timeline for the unused net proceeds from the Placing was 31 December 2021. The delay in the use of net proceeds arose as the progress of importing heifers and calves from Australia and New Zealand was slowed down due to the Pandemic. A detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

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

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

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

On 1 January 2022, the Group completed acquisition of certain assets which include, inter alia, breeding facilities for milk goats and production lines for goat milk and the land use rights of certain breeding farms from a third party. The acquisition was made as part of the Group's strategy to further expand its business in the fast-growing goat milk market and diversify and expand new product lines to meet customers' need for goat milk powder products. Details of the acquisition are set out in the announcements of the Company dated 19 November 2021 and 29 November 2021, respectively.

## **Pledge of Assets**

As at 30 June 2022, no assets of the Group were pledged as security for bank borrowings (31 December 2021: Nil).

## **Foreign Exchange Exposure**

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

## **Treasury Policies**

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

## **Capital Commitments and Contingencies**

Capital commitments of the Group as at 30 June 2022 were RMB343.2 million (31 December 2021: RMB79.0 million), which were for construction of our new farms, renewal of existing facilities and purchase of dairy cows. The Group did not have any significant contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

## **Employees and Remuneration Policies**

As at 30 June 2022, the Group had 2,092 employees (31 December 2021: 1,903 employees), of whom one was located in Hong Kong and all the others were located in the PRC. The remuneration and staff cost for the Period was RMB113.3 million (six months ended 30 June 2021: RMB79.6 million).

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

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

### **Event After Reporting Period**

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

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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

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

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

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that the Company has complied with all the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**" and the "**CG Code**", respectively) during the Period and up to the date of this announcement.

### **Compliance with Model Code**

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

### **Review by Audit Committee**

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

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

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

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

Hong Kong, 29 August 2022

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