



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

(Incorporated in Bermuda with limited liability)

Stock Code : 1431



## 2024 INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhao Hongliang (趙洪亮) (*Chairman*)  
Mr. Zhang Yongjiu (張永久) (*Chief Executive Officer*)  
Mr. Chen Xiangqing (陳祥慶) (*Chief Financial Officer*)  
Mr. Liu Gang (劉剛)

### Non-executive Directors

Mr. Leng Youbin (冷友斌)  
Mr. Liu Hua (劉華)  
Mr. Cai Fangliang (蔡方良)

### Independent Non-executive Directors

Mr. Zhang Yuezhou (張月周)  
Mr. Zhu Zhanbo (朱戰波)  
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)  
Ms. Liu Jinping (劉晉萍)

## JOINT COMPANY SECRETARIES

Ms. Song Miao (宋淼)  
Ms. Cheng Lucy (曾若詩)

## AUTHORISED REPRESENTATIVES

Mr. Chen Xiangqing (陳祥慶)  
Mr. Liu Gang (劉剛)

## AUDIT COMMITTEE

Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗) (*Chairman*)  
Mr. Zhang Yuezhou (張月周)  
Mr. Zhu Zhanbo (朱戰波)  
Ms. Liu Jinping (劉晉萍)

## REMUNERATION COMMITTEE

Mr. Zhang Yuezhou (張月周) (*Chairman*)  
Mr. Zhu Zhanbo (朱戰波)  
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)  
Mr. Zhao Hongliang (趙洪亮)

## NOMINATION COMMITTEE

Mr. Zhu Zhanbo (朱戰波) (*Chairman*)  
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)  
Mr. Zhang Yuezhou (張月周)  
Mr. Zhang Yongjiu (張永久)

## INDEPENDENT AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27/F, One Taikoo Place, 979 King's Road, Quarry Bay,  
Hong Kong

## PRINCIPAL BANKERS

Agricultural Development Bank of China  
Industrial and Commercial Bank of China  
Agricultural Bank of China  
China Construction Bank

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

Qingxiang Street  
Kedong, Qiqihar  
Heilongjiang Province  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, 148 Electric Road  
North Point  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## LEGAL ADVISORS

### As to Hong Kong Laws

Loeb & Loeb LLP

### As to PRC Laws

Jingtian & Gongcheng (北京市競天公誠律師事務所)

## STOCK CODE

1431

## BOARD LOTS

1,000 shares

## COMPANY'S WEBSITES

[www.ystdfarm.com](http://www.ystdfarm.com)  
[www.ystdairyfarm.com](http://www.ystdairyfarm.com)

# Management Discussion and Analysis

## MARKET REVIEW

In the first half of 2024, the environment outside China became more complex, challenging and uncertain, and the economic growth around the world was sluggish, leading to a slow recovery. Although the near-term prospect for the global economy has been improved, it remains sluggish by historical standards. In 2024 and 2025, nearly 60% of the economies (comprising more than 80% of the world's population) are expected to grow at a rate below the average level in 2010s. The global prospect's risks are dominated by downside risks, including geopolitical tension, trade fragmentation, prolonged high-interest rates and climate-related disasters.

The global macro environment which became substantially more complex, challenging and uncertain, and the continuous deepening of domestic structural adjustment, have posed new challenges to China's economy. However, factors, such as the sustained release of macro-policy effects, the pickup in external demand, and the accelerated development of new quality productivity, have also formed new buffers. Generally speaking the national economy continued its upswing in the first half of 2024. The overall economy was stable while making progress. According to the statistics released by the National Bureau of Statistics, the gross domestic product (GDP) of China for the first half of 2024 amounted to RMB61.7 trillion, representing a year-on-year increase of 5.0%. Despite the complex and severe external environment, China constantly sought to improve the quality of economic development and meeting the challenges while always maintaining healthy development, driving sustainable and healthy economic development and demonstrating its resilience.

As for the dairy industry, China's total market value of dairy products reached RMB500 billion in 2023, making it the fourth largest producer in the world. Currently, there are both challenges and opportunities for the development of domestic dairy industry.

In the short run, the domestic raw milk market remains oversupplied due to persistent growth of raw milk supply, coupled with the weak market consumption interest. According to the statistics released by the National Bureau of Statistics, China's raw milk output for 2023 amounted to 41.97 million tonnes, representing a year-on-year increase of 2.65 million tonnes or 6.7%, reaching a record high. Raw milk will be much more oversupplied in 2024 as compared with 2023. However, dairy sales are declining continuously due to the objective consumption environment. According to the data released by Nielsen, in May 2024, the year-on-year growth rates of dairy products' omni-channel sales and offline channel sales were -1.4% and -3.5%, respectively as compared to the year-on-year growth rates of 10.8% and 9.6% of the same period last year. Milk yield grew faster than consumption volume, which also contributed to the declining prices of raw milk. According to the statistics monitored by the Ministry of Agriculture and Rural Affairs, the monthly average price of raw milk was RMB3.38 per kilogram in May 2024, representing a month-to-month decrease of 2.3%, marking the third consecutive month-to-month decrease of more than 2%, and representing a year-on-year decrease of 12.9%. The raw milk industry will face more severe challenges, and undergo a phase of more substantial change of industrial pattern.

## Management Discussion and Analysis

Dairy products has always been an important source of nutrition. With development of national economy, consumers are set to advocate healthy diet, and have increasing demand for dairy products. According to the statistics released by Nielsen IQ, per capita annual consumption of dairy products in China was equivalent to 41.3 kilograms of raw milk in 2023. There is great potential for growing the per capita consumption of dairy products in China, having considered the consumption level of dairy products in developed countries. At present, there is still certain gap in terms of economic development between urban and rural areas in China, and urban and rural residents have quite different consumption perception. Therefore, the consumption volumes of dairy products in urban and rural areas are different. With rising income of rural residents, progress of urbanization and implementation of the three-child policy, there remain great potential demand for dairy consumption in the towns and villages subordinated to counties, which is expected to become an important growth engine in the future.

As one of the leading dairy farming companies in the PRC, YuanShengTai Dairy Farm Limited (“**YuanShengTai**” or the “**Company**”) and its subsidiaries (collectively the “**Group**”) will continue to achieve better economies of scale by adjusting the size of the herd and improving the breeding and production technology. In order to pursue its goal of producing high-quality raw milk, YuanShengTai will continue to strengthen standardized production of raw milk and implement rigorous quality supervision so as to satisfy the society’s increasingly diversified needs for dairy products and offering the best quality raw milk to customers.

## BUSINESS REVIEW

YuanShengTai is a company that focuses on producing high-quality raw milk. In terms of herd size and production volume, YuanShengTai is one of the leading dairy farming companies in the PRC. The sales volume of raw cow milk of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”) was 259,180 tonnes, representing an increase of 17% as compared with the same period of last year. The average selling price of raw cow milk was RMB4,648 per tonne. The total revenue from sales of raw milk of the Group amounted to RMB1,204.8 million, representing an increase of 11.4% as compared with the same period of last year. The Group’s net profit for the Reporting Period amounted to RMB129.0 million. During the Reporting Period, decreases in prices of certain feeds led to reduced cost and expense per kilogram milk, while the unit selling price of the Company’s raw milk slightly declined, resulting in growth of gross profit and net profit. The Company will further reduce the price of certain feeds by adjusting the feeding formula.

The Group continued to optimize its partnership with leading dairy manufacturers in China. In the first half of 2024, the Group’s major customers were China Feihe Limited (“**China Feihe**”) and Yili Group, both being leading dairy manufacturers in China. Through constant expansion of its product mix and navigating technological innovation and cooperation, the Group has enhanced the resilience of the industrial chain and contributed to the high-quality development of the dairy industry in China, laying a solid foundation for the Group’s long-term business development. In the future, the Group will hold onto its purposes, firmly adhere to its original mission of producing high-quality raw milk. We will strengthen the production of standardized and high-quality raw milk, implement strict quality control, continue to explore and develop more premium customers, and further consolidate the customer base of the Group.

### Construction of Farms

As of 30 June 2024, we had ten dairy cow farms in Heilongjiang Province and one dairy cow farm in Jilin Province, respectively. Each dairy cow farm had an actual capacity ranging from 1,960 to 30,000 dairy cows. The total site area of the eleven dairy cow farms amounts to approximately 9,694,458 square metres. During the Reporting Period, the Board was not optimistic about the future development of the goat milk industry and did not expect the goat milk industry to recover in the near future. During the Reporting Period, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with a third party, pursuant to which it proposed to sell the dairy goat farm located in Shaanxi Province to further improve the business structure of the Group. For details, please refer to the paragraph headed “Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures” below.

## Management Discussion and Analysis

	<b>Actual Designed Capacity</b> <i>(Number of Cows/Head)</i>	<b>Actual Inventory Number</b>	<b>Area</b> <i>(m<sup>2</sup>)</i>
Gannan Farm	12,000	11,428	986,333
Kedong Heping Farm	6,000	6,149	384,000
Kedong Ruixinda Farm	18,000	11,412	784,000
Kedong Yongjin Farm	12,000	8,477	714,000
Zhenlai Farm	30,000	25,357	2,066,667
Baiquan Farm	15,000	5,924	994,000
Keshan Farm	12,000	10,278	980,000
Longjiang Ruixincheng Farm	1,960	1,769	84,300
Longjiang Jinyuan Farm	12,000	11,551	798,400
Yi'an Farm	15,000	10,403	857,713
Bei'an Farm	10,000	6,948	1,045,045
<b>Total</b>	<b>143,960</b>	<b>109,696</b>	<b>9,694,458</b>

### Milk Yield

During the Reporting Period, the average annual milk yield per matured milkable cow was 12.40 tonnes, representing an increase of 9.3% as compared with 11.34 tonnes in the first half of 2023. As the operation of farms becomes more mature and stable, and the age mix and the herd structure of cows have been upgraded and optimized, the Group expects that the average milk yield of herds will continue to increase. The Group will strive towards achieving scientific, standardized, large-scale and quality farming by optimizing production and operation mode and improving the feeding formula.

### Size of Our Herds

The Group has established a perfect and high-quality farm management system, with continuous expansion of herd size and a reasonable herd structure. As of 30 June 2024, the total number of dairy cows on the farms operated by the Group increased to 109,696 heads, up by 8.27% as compared with 101,313 heads in the same period of 2023. Among them, the total number of matured milkable cows steadily increased from 41,682 heads as of 30 June 2023 to 49,231 heads as of 30 June 2024, representing an increase of 18.1%. The total number of matured milkable cows accounts for 44.88% of the total number of inventory dairy cows. The increase in the number of our matured milkable cows further secured the constant supply of quality raw milk of the Group.

	<b>30 June 2024</b>	30 June 2023
Number of matured milkable cows	<b>49,231</b>	41,682
Number of heifers and calves	<b>60,465</b>	59,631
<b>Total number of dairy cows</b>	<b>109,696</b>	101,313

## Management Discussion and Analysis

### Price of Raw Milk

In the first half of 2024, the development trend of raw milk was not reversed upward. During the Reporting Period, the domestic price of raw milk was under pressure as the weak consumption of domestic dairy products led to phased oversupply of raw milk, and price of the Group's raw milk dropped accordingly. During the Reporting Period, the average selling price of the Group's raw cow milk was RMB4,648 per tonne (average selling price during the six months ended 30 June 2023 was RMB4,863 per tonne), representing a decrease of 4.4% as compared with the same period of last year.

### OUTLOOK

Dairy industry is not only an iconic industry of the agricultural modernization, but also a strategic industry for the integrated development of primary, secondary and tertiary industries, and a basic industry that forms an integral part of the healthy China construction. In recent years, the dairy industry has made remarkable progress in scale, standardization, intelligent breeding and integration of industrial chains, benefiting from various policies introduced by the national authorities to fuel its development. China's dairy production has experienced rapid growth after prolonged stagnancy, and the revitalization of the dairy industry has achieved milestone results, laying a solid foundation for guaranteeing all-round nutrition of China's residents.

Dairy industry is an essential industry for building a strong nation and a common means for improving the nutrition of residents in all countries in the world. Although the per capita consumption of milk in China increased from 1.2 kilogram in 1980 to 42.5 kilogram in 2023, the consumption level was low compared to foreign countries and is only equivalent to 37% of the global average. Compared with the recommended amount in the Chinese Dietary Guidelines (2022), it represents only 22.6% to 37.7% of the recommended amount. Insufficient consumption of dairy products has become a constraint to improving food nutrition of residents and the high-quality development of dairy industry. The Group believes that, with the shift in consumption preference of urban and rural residents and the enhancement of nutrition and health awareness in China, there is huge room for expanding dairy consumption in the future.

In the process of promoting high-quality development of dairy industry, importance shall be attached to the leading role of green sustainable development. YuanShengTai will unswervingly follow the green development path under the guidance of the "peak carbon emissions and carbon neutrality (雙碳)" goal. We will give much regard to increasing production efficiency through technological innovation, strive to realize the green development of the industrial chain and the full life cycle, and honor the "Original Ecological (原生態)" concept in practice, so as to contribute to dairy industry's achievements in carbon neutrality in China and even around the world.

The Group will continue to follow the national development policy, keep abreast of the market development, continuously ensure the quality and safety standard, constantly optimize and upgrade the business structure, and improve the production practices in all rounds. YuanShengTai will aggressively expand its sales channels, establish long-term and stable partnership with downstream dairy producers to increase sales of raw milk, and realize the Group's sustainable profitability. The Group will continue to improve the management expertise of its farms, continuously improve its technological innovation capability, enhance its production practice and achieve green and sustainable development.

## OUR REVENUE

During the Reporting Period, our total sales of raw milk increased by 11.4% to RMB1,204.8 million as compared with RMB1,081.9 million for the six months ended 30 June 2023. The sales volume of raw cow milk reached 259,180 tonnes for the Reporting Period, representing an increase of 17.0% as compared with 221,707 tonnes for the six months ended 30 June 2023. The sales volume of raw goat milk reached 306 tonnes for the Reporting Period, representing a decrease of 42.2% as compared with 529 tonnes for the six months ended 30 June 2023.

## COST OF SALES

Our cost of sales for the Reporting Period was RMB759.0 million. The table below summarizes the components of our cost of sales by nature for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Cost of sales		
Feed	556,981	618,343
Salary, welfare and social insurance	58,795	54,068
Depreciation	48,400	49,831
Veterinary cost	27,480	30,190
Utilities	48,425	46,592
Transportation expenses	834	409
Other costs	18,129	25,352
Cost of sales, total	759,044	824,785

Feed costs represent the feed consumed by our milkable cows and goats. The feed costs for milkable cows and milkable goats were RMB557.0 million and RMB618.3 million for the six months ended 30 June 2024 and 2023, respectively, representing 73.4% and 75.0% of the cost of sales for the respective six months ended 30 June 2024 and 2023. The decrease in our feed costs was attributable to the decrease in the price of hay feed.

## GROSS PROFIT

Due to the factors discussed above, the gross profit increased to RMB445.7 million for the Reporting Period (six months ended 30 June 2023: RMB257.1 million), representing an increase of 73.4%. Our gross profit margin increased from 23.8% for the six months ended 30 June 2023 to 37.0% for the Reporting Period.



## Management Discussion and Analysis

### OTHER INCOME AND GAINS

Other income and gains for the six months ended 30 June 2024 and 2023 amounted to RMB105.5 million and RMB58.3 million, respectively, representing an increase of 80.8%. The increase in other income and gains was attributable to the increases in (i) interest income; (ii) government subsidies; and (iii) gain on disposal of a subsidiary.

### ADMINISTRATIVE EXPENSES

We incurred administrative expenses of RMB52.4 million for the Reporting Period, representing a decrease of approximately 2.2% as compared to RMB53.6 million for the six months ended 30 June 2023. The decrease was primarily attributable to the decrease in other tax expenses, owing from the fulfilment of the environmental standards.

### OTHER EXPENSES

Other expenses for the Reporting Period amounted to RMB13.7 million (six months ended 30 June 2023: RMB16.8 million), representing a decrease of approximately 18.8%. The decrease in other expenses was attributable to the decrease in expenses on land sub-lease incurred by Yi'an Farm upon the termination of leases.

### CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS

Changes in fair value less costs to sell of biological assets was a loss of RMB336.9 million for the Reporting Period as compared with a loss of RMB410.3 million for the six months ended 30 June 2023. The decrease in loss was attributable to the increase in number of dairy cows.

### IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the Reporting Period, no impairment loss (six months ended 30 June 2023: RMB85.9 million) was recognized for property, plant and equipment and right-of-use assets of an indirect wholly-owned subsidiary of the Company.

### PROFIT OF THE GROUP FOR THE REPORTING PERIOD

As a result of all the above factors, the Group recorded a net profit of RMB129.0 million for the Reporting Period, as compared with a net loss of RMB264.1 million for the six months ended 30 June 2023. Basic earnings per share was approximately RMB2.8 cents for the Reporting Period, as compared with basic loss per share of RMB5.6 cents for the six months ended 30 June 2023.

### INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the Reporting Period (six months ended 30 June 2023: Nil).

### LIQUIDITY AND FINANCIAL RESOURCES

For the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB634.5 million, as compared with RMB531.7 million for the six months ended 30 June 2023. As at 30 June 2024, the Group had cash and cash equivalents of RMB1,037.8 million (31 December 2023: RMB959.1 million). Save for cash and cash equivalents equivalent to RMB405.7 million which were denominated in the United States dollars ("**USD**"), and RMB2.7 million which were denominated in Hong Kong dollars ("**HKD**"), the Group's remaining cash and cash equivalents were denominated in Renminbi ("**RMB**").

The Group had interest-bearing bank borrowings of RMB1,170.0 million as at 30 June 2024 (31 December 2023: RMB1,347.7 million) which was denominated in RMB. The annual interest rate of the bank borrowings as at 30 June 2024 ranged from 2.90% to 3.85% (31 December 2023: ranged from 2.90% to 3.85%). The gearing ratio (calculated by dividing net debt by the equity attributable to owners of the parent plus net debt) was 16.2% (31 December 2023: 18.7%). Net debt includes interest-bearing bank borrowings, trade and bills payables, and certain other payables and accruals, less cash and cash equivalents and time deposits.

### CAPITAL STRUCTURE

As at 30 June 2024, the Company's issued share capital was HK\$46,904,964 divided into 4,690,496,400 shares of the Company (the "**Shares**") of HK\$0.01 each. The Company did not issue any new Shares during the Reporting Period.

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

During the Reporting 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 and the unutilized net proceeds from the issue of new Shares under the global offering as set out in the prospectus of the Company dated 14 November 2013 (the "**Prospectus**").

Save as disclosed above and in the Prospectus, there were no significant investments held as at 30 June 2024 nor were there other plans for material investments on capital assets as at the date of this report.

## Management Discussion and Analysis

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (THE “IPO”)

The issued Shares were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 November 2013. Gross proceeds raised from the IPO in such connection amounted to approximately HK\$3,298.0 million, and the net proceeds (after deduction of listing expenses and underwriting commissions, and excluding offer proceeds which were payable to selling shareholders of the Company (the “**Shareholders**”) (i.e. not receivable by the Company)) amounted to approximately HK\$2,564.0 million. The net proceeds were spent broadly in accordance with the Company’s plan as disclosed in the Prospectus.

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

	<b>Planned use of net proceeds from the IPO (as stated in the Prospectus)</b> <i>HK\$ million</i>	<b>Actual use of net proceeds from the IPO up to 30 June 2024</b> <i>HK\$ million</i>	<b>Actual use of net proceeds from the IPO during the Reporting Period</b> <i>HK\$ million</i>	<b>Unused net proceeds from the IPO as at 30 June 2024</b> <i>HK\$ million</i>
Construction of new farms	1,923.0	1,923.0	–	–
Develop upstream operations	384.6	36.8	–	347.8
Working capital and general corporate purpose	256.4	256.4	–	–
Total	2,564.0	2,216.2	–	347.8

The unused net proceeds, being approximately HK\$347.8 million, are expected to be used in accordance with the Company’s plan as disclosed in the Prospectus (i.e. to develop upstream operations) by end of 2024. As the Board is still observing the market conditions which are slowly recovering after the COVID-19 pandemic, the expected timeline for unused net proceeds in respect of developing upstream operations will be further delayed to the end of 2025. A detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

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

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

### PLEDGE OF ASSETS

As at 30 June 2024 and 31 December 2023, certain of the Group’s bank loans had been secured by the pledge of the Group’s assets.

### FOREIGN EXCHANGE EXPOSURE

Certain assets of the Group are denominated in foreign currencies such as 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 2024 were RMB69.1 million (31 December 2023: RMB75.5 million), which were for construction of our new farms and renewal of existing facilities. The Group did not have any significant contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

\* for identification purposes

## Management Discussion and Analysis

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 2,423 employees (31 December 2023: 2,389 employees), of whom one was located in Hong Kong and all the others were located in the PRC. The remuneration and staff cost for the Reporting Period was RMB177.4 million (six months ended 30 June 2023: RMB134.8 million).

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

The directors of the Company (the "**Directors**") and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

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

### EVENTS AFTER REPORTING PERIOD

Save as disclosed, the Group does not have any material subsequent event after the Reporting Period and up to the date of this report.

# 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 Reporting 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**" and the "**CG Code**", respectively) during the Reporting Period and up to the date of this report.

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. In response to specific enquiries made by the Company, all Directors confirmed that they had complied with the Model Code during the Reporting Period.

## CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rules 13.51(B) of the Listing Rules, the change in information of the Directors for the Reporting Period are set out below:

- Mr. Zhang Yongjiu ("**Mr. Zhang**") was appointed as an executive Director, the chief executive officer of the Company (the "**CEO**") and a member of the nomination committee of the Board (the "**Nomination Committee**") with effect from 23 February 2024.
- Mr. Fu Wenguo resigned as an executive Director and the CEO and ceased to be a member of the Nomination Committee with effect from 23 February 2024.

## Corporate Governance and Other Information

### 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 Reporting Period and this report have been reviewed by the Audit Committee.

### DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “**SFO**”), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long Positions in the Shares

Name of Directors	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares
Mr. Leng Youbin (“ <b>Mr. Leng</b> ”) <sup>(Note)</sup>	Interest in a controlled corporation and founder of a discretionary trust/ Corporate and other interest	3,342,320,920	71.26%
Mr. Chen Xiangqing (“ <b>Mr. Chen</b> ”)	Beneficial owner/Personal interest	3,500,000	0.07%

*Note:* 3,342,320,920 Shares were beneficially owned by China Feihe which is owned as to 49.37% by Mr. Leng, a non-executive Director. Therefore, Mr. Leng is deemed or taken to be interested in 3,342,320,920 Shares beneficially owned by China Feihe by virtue of the SFO.

## Corporate Governance and Other Information

### (ii) Long Positions in the shares of China Feihe – an associated corporation of the Company

Name of Directors	Capacity/Nature of interests	Number of shares held	Number of underlying shares held	Approximate percentage of issued shares
Mr. Leng <sup>(Note 1)</sup>	Interest in a controlled corporation and founder of a discretionary trust/ corporate and other interest	4,477,428,339	–	49.37%
Mr. Liu Hua (“ <b>Mr. Liu</b> ”) <sup>(Note 2)</sup>	Interest in a controlled corporation and founder of a discretionary trust/ corporate and other interest	345,681,920	–	3.81%
Mr. Cai Fangliang (“ <b>Mr. Cai</b> ”) <sup>(Note 3)</sup>	Interest in a controlled corporation/ Corporate interest	101,647,734	–	1.12%
Mr. Zhang	Beneficial owner/Personal interest	6,108,731	–	0.07%
Mr. Chen <sup>(Note 4)</sup>	Beneficial owner/Personal interest	102,143	–	0.00%
Mr. Zhao Hongliang (“ <b>Mr. Zhao</b> ”) <sup>(Note 5)</sup>	Beneficial owner/Personal interest	366,667	–	0.00%

#### Notes:

- 587,516,458 shares were held by Mr. Leng through his controlled corporation – Dasheng Limited (“**Dasheng**”). 33.33% of the equity interests in Dasheng were held directly by Mr. Leng. 3,869,911,881 shares were held by Harneys Trustees Limited (“**Harneys**”) as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited (“**LYB**”), which in turn holds the entire issued share capital of Garland Glory Holdings Limited (“**Garland Glory**”). Leng Family Trust was established by Mr. Leng as the settlor and the only discretionary object.
- 345,681,920 shares were held by Harneys as the trustee of LH Family Trust, which in its capacity as trustee holds the entire issued share capital of RL Equity LLC, which in turn holds the entire issued share capital of LH Financial Holding Limited, LH Family Trust was established by Mr. Liu as the settlor and the only discretionary object.
- 101,647,734 Shares were held by Adroit Shipping Limited, which is wholly owned by Mr. Cai.
- Mr. Chen was granted 102,143 shares of China Feihe on 26 January 2024 pursuant to the share award plan adopted by China Feihe on 25 May 2023 (the “**2023 Share Award Plan**”).
- Mr. Zhao was granted 366,667 shares of China Feihe on 26 January 2024 pursuant to the 2023 Share Award Plan.



## Corporate Governance and Other Information

Save as disclosed above and so far as is known to the Directors, as at 30 June 2024, none of the Directors and the chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2024, as far as known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interests in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

### Long Positions and Short Positions in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares
China Feihe <sup>(Note 1)</sup>	Beneficial owner/Personal Interest	3,342,320,920	71.26%
Garland Glory <sup>(Note 2)</sup>	Interest in a controlled corporation/ Corporate Interest	3,342,320,920	71.26%
LYB <sup>(Note 2)</sup>	Interest in a controlled corporations/ Corporate Interest	3,342,320,920	71.26%
Harneys <sup>(Note 2)</sup>	Trustee of a trust/Other interest	3,342,320,920	71.26%

Notes:

1. Please refer to note 1 under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. 3,342,320,920 Shares were held by Harneys as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB, which in turn holds the entire issued share capital of Garland Glory, which in turn holds 42.82% of China Feihe. Leng Family Trust is a discretionary trust established by Mr. Leng as the settlor and the only discretionary object. Accordingly, each of Harneys, LYB and Garland Glory was deemed or taken to be interest in 3,342,320,920 Shares directly held by China Feihe.

Save as disclosed above, as at 30 June 2024, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interest in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

# Independent Review Report



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## To the board of directors of YuanShengTai Dairy Farm Limited

(Incorporated in Bermuda with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 38, which comprises the condensed consolidated statement of financial position of YuanShengTai Dairy Farm Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### Ernst & Young

Certified Public Accountants

Hong Kong

28 August 2024

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>1,204,776</b>	1,081,881
Cost of sales		<b>(759,044)</b>	(824,785)
Gross profit		<b>445,732</b>	257,096
Other income and gains		<b>105,458</b>	58,323
Administrative expenses		<b>(52,391)</b>	(53,580)
Other expenses		<b>(13,654)</b>	(16,805)
Finance costs		<b>(22,567)</b>	(12,857)
Impairment losses on property, plant and equipment and right-of-use assets	5	–	(85,925)
Changes in fair value less costs to sell of biological assets	10	<b>(336,911)</b>	(410,329)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>125,667</b>	(264,077)
Income tax credit	6	<b>3,329</b>	–
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>128,996</b>	(264,077)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>1,765</b>	(5,959)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>130,761</b>	(270,036)
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>128,996</b>	(264,077)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>130,761</b>	(270,036)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted (expressed in RMB per share)	8	<b>0.028</b>	(0.056)

# Interim Condensed Consolidated Statement of Financial Position

30 June 2024

		30 June 2024 (Unaudited) <i>RMB'000</i>	31 December 2023 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	3,758,082	3,782,284
Investment properties		45,190	211,741
Right-of-use assets		69,619	73,436
Prepayments and other receivables		57,269	73,083
Deferred tax assets		1,509	–
Biological assets	10	2,304,520	2,252,706
Total non-current assets		6,236,189	6,393,250
<b>CURRENT ASSETS</b>			
Inventories		524,688	794,466
Trade receivables	11	512	82,593
Prepayments and other receivables		44,916	9,172
Restricted cash	12	16,236	37,547
Time deposits	12	73,473	70,882
Cash and cash equivalents	12	1,037,797	959,068
Total current assets		1,697,622	1,953,728
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	375,858	476,602
Other payables and accruals	14	1,018,259	1,164,811
Interest-bearing bank borrowings		413,080	474,840
Lease liabilities		13,189	49,341
Tax payable		–	638
Total current liabilities		1,820,386	2,166,232
<b>NET CURRENT LIABILITIES</b>		(122,764)	(212,504)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,113,425	6,180,746
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue	14	431,401	384,028
Interest-bearing bank borrowings		756,896	872,836
Lease liabilities		29,526	157,221
Deferred tax liabilities		–	1,820
Total non-current liabilities		1,217,823	1,415,905
<b>NET ASSETS</b>		4,895,602	4,764,841

## Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	<i>Note</i>	<b>30 June 2024 (Unaudited) RMB'000</b>	31 December 2023 (Audited) RMB'000
<b>EQUITY</b>			
Share capital	15	<b>37,674</b>	37,674
Reserves		<b>4,857,928</b>	4,727,167
Total equity		<b>4,895,602</b>	4,764,841

Director  
**Zhao Hongliang**

Director  
**Chen Xiangqing**

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

Attributable to owners of the Company

	Issued capital <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2024 (audited)	37,674	186,000	2,977,020	455,505	25,368	-	12,876	1,070,398	4,764,841
Profit for the period	-	-	-	-	-	-	-	128,996	128,996
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,765	-	1,765
Total comprehensive income for the period	-	-	-	-	-	-	1,765	128,996	130,761
At 30 June 2024 (unaudited)	37,674	186,000	2,977,020	455,505	25,368	-	14,641	1,199,394	4,895,602
At 1 January 2023 (audited)	37,674	186,000	2,977,020	455,505	-	9,660	12,182	1,410,097	5,088,138
Loss for the period	-	-	-	-	-	-	-	(264,077)	(264,077)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(5,959)	-	(5,959)
Total comprehensive loss for the period	-	-	-	-	-	-	(5,959)	(264,077)	(270,036)
Equity-settled share option arrangements	-	-	-	-	-	2,220	-	-	2,220
At 30 June 2023 (unaudited)	37,674	186,000	2,977,020	455,505	-	11,880	6,223	1,146,020	4,820,322

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<i>Note</i>		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>634,495</b>	531,654
Purchases of items of property, plant and equipment	(83,650)	(160,510)
Additions to biological assets	(429,945)	(446,144)
Purchases of structured deposit	–	(50,000)
Proceeds from disposal of biological assets	78,975	111,022
Receipt of government grants	60,070	5,000
(Increase)/decrease in time deposits	(2,591)	45,039
Proceeds from disposal of items of property, plant and equipment	1,365	–
Proceeds from disposal of a subsidiary	9,196	–
Decrease of restricted cash	21,311	–
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(345,269)</b>	(495,593)
New bank loans	47,238	287,247
Repayment of bank loans	(224,938)	(120,000)
Interest paid	(21,301)	(17,573)
Principal portion of lease payments	(13,456)	(32,834)
<b>NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(212,457)</b>	116,840
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>76,769</b>	152,901
Cash and cash equivalents at beginning of period	959,068	576,309
Effect of foreign exchange rate changes, net	1,960	16,334
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,037,797</b>	745,544
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	629,003	452,224
Non-pledged time deposits with original maturity of less than three months when acquired	425,030	296,185
Restricted cash	(16,236)	(2,865)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of cash flows	1,037,797	745,544

# Notes to Interim Condensed Consolidated Financial Information

30 June 2024

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the Reporting Period has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

### Going concern

In preparation of the interim condensed consolidated financial information for the Reporting Period, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's total current liabilities exceeded its total current assets by RMB122,764,000 (31 December 2023: RMB212,504,000). Taking into account, (i) the available credit facilities of approximately RMB312,566,000 which remain unutilised as at 30 June 2024 obtained from licensed banks; and (ii) the expected net cash inflows generated from the Group's operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the interim condensed consolidated financial information have been prepared on a going concern basis.

## 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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.



## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the production and sale of raw cow milk and goat milk. The two businesses are regarded as separate operating segments by the chief operating decision maker. As the operating segments have similar economic characteristics and both operating segments are similar in respect of the nature of products and service, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the service, and the nature of the regulatory environment, both operating segments are aggregated for financial reporting purposes. Accordingly, no operating segment information is presented.

### 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of raw milk	1,204,776	1,081,881

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

Segments	For the six months ended 30 June	
	2024	2023
	Sale of raw milk	Sale of raw milk
	RMB'000	RMB'000
<b>Type of goods</b>		
Sale of raw milk	1,204,776	1,081,881
Total revenue from contracts with customers	1,204,776	1,081,881
<b>Geographical market</b>		
Chinese Mainland	1,204,776	1,081,881
Total revenue from contracts with customers	1,204,776	1,081,881
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	1,204,776	1,081,881
Total revenue from contracts with customers	1,204,776	1,081,881

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Breeding costs to produce	556,981	618,343
Production costs for raw milk	202,063	206,442
Cost of sales	759,044	824,785
Depreciation in property, plant and equipment	101,448	100,306
Less: Capitalised in biological assets	(52,439)	(49,858)
Depreciation recognised in the statement of profit or loss and other comprehensive income*	49,009	50,448
Depreciation of right-of-use assets	3,817	4,102
Depreciation of investment properties	8,195	10,511
Changes in fair value less costs to sell of biological assets	336,911	410,329
Lease payments for short-term leases	169	47
Impairment losses on property, plant and equipment and right-of-use assets**	–	85,925
Loss on disposal of items of property, plant and equipment	174	127
Gain on disposal of a subsidiary	(19,078)	–
Foreign exchange differences, net	(8,645)	(16,323)

**5. PROFIT/(LOSS) BEFORE TAX (Continued)**

- \* Depreciation of approximately RMB48,400,000 (six months ended 30 June 2023: RMB49,831,000) 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 Reporting Period.
- \*\* No impairment loss (six months ended 30 June 2023: RMB85,575,000) for property, plant and equipment and no impairment loss (six months ended 30 June 2023: RMB350,000) for right-of-use assets of an indirect wholly-owned subsidiary of the Company are charged to the interim condensed consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

**6. INCOME TAX**

No provision for Hong Kong profits tax has been made for the Reporting Period as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period (six months ended 30 June 2023: Nil). Taxes on profits assessable in Chinese Mainland have been calculated at the applicable PRC corporate income tax rate of 25% (30 June 2023: 25%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Deferred tax credit	3,329	–
Total tax credit for the period	<b>3,329</b>	–

**7. DIVIDENDS**

No dividend was paid or proposed by the Company during the Reporting Period (six months ended 30 June 2023: Nil).

## Notes to Interim Condensed Consolidated Financial Information

30 June 2024

### 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings/(loss) per share amount is based on the earnings for the Reporting Period attributable to ordinary equity holders of the Company of RMB128,996,000 (unaudited) (six months ended 30 June 2023: loss of RMB264,077,000 (unaudited)) and the weighted average number of ordinary is 4,690,496,400 (unaudited) (six months ended 30 June 2023: 4,690,496,400 (unaudited)) shares in issue during the Reporting Period. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 30 June 2023.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic/diluted earnings/(loss) per share calculation	<b>128,996</b>	(264,077)
	<b>Number of shares</b>	
	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic/diluted earnings/(loss) per share calculation	<b>4,690,496,400</b>	4,690,496,400

### 9. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired assets with a cost of RMB83,650,000 (unaudited) (six months ended 30 June 2023: RMB118,695,000 (unaudited)).

Assets with net book value of RMB1,539,000 (unaudited) were disposed of by the Group during the Reporting Period (six months ended 30 June 2023: RMB127,000 (unaudited)), resulting in a net loss on disposal of RMB174,000 (unaudited) (six months ended 30 June 2023: RMB127,000 (unaudited)).

During the six months ended 30 June 2023, an impairment loss of RMB85,575,000 was recognised for property, plant and equipment of an indirect wholly-owned subsidiary of the Company as a result of the significant loss incurred during the prior period. The recoverable amount was nil which had been determined at the level of the cash-generating unit based on a value-in-use calculation using cash flow projections. The recoverable amount was based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. The cash-generating unit mainly consisted of property, plant and equipment allocated to the subsidiary. The discount rate applied to the cash flow projections was 14%.

As at 30 June 2024, assets of net book value of RMB27,090,000 (31 December 2023: RMB27,626,000 (audited)) was pledged for the interest-bearing bank borrowings.

**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 at 30 June 2024 and 31 December 2023 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held at 30 June 2024 and 31 December 2023 were dairy cows that have not had their first calves.

	<b>30 June 2024 (Unaudited) Heads</b>	31 December 2023 (Audited) Heads
Dairy cows		
Milkable cows	<b>49,231</b>	39,861
Heifers and calves	<b>60,465</b>	62,636
Total dairy cows	<b>109,696</b>	102,497

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.

As at 30 June 2024, the Group did not own any dairy goats upon the disposal of a subsidiary (note 16). As at 31 December 2023, the Group's dairy goats contain lambs, young goats and milkable goats of which, lambs and young goats held at 30 June 2024 were dairy goats that have not had their first lambs.

	<b>30 June 2024 (Unaudited) Head</b>	31 December 2023 (Audited) Head
Dairy goats		
Milkable goats	–	3,257
Lambs and young goats	–	1,495
Total dairy goats	–	4,752

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### 10. BIOLOGICAL ASSETS (Continued)

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

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)	
Dairy cows	<b>2,304,520</b>	2,235,220	
	<b>Heifers and calves RMB'000</b>	<b>Milkable cows RMB'000</b>	<b>Total RMB'000</b>
Balance as at 1 January 2023 (audited)	931,309	1,065,382	1,996,691
Increase due to raising (feeding costs and others)	922,635	–	922,635
Increase due to purchase	248,835	–	248,835
Transfer (out)/in	(677,378)	677,378	–
Decrease due to sales	(41,376)	(160,104)	(201,480)
Loss arising from changes in fair value less costs to sell	(117,805)	(613,656)	(731,461)
Balance as at 31 December 2023 and 1 January 2024 (audited)	1,266,220	969,000	2,235,220
Increase due to raising (feeding costs and others)	<b>477,920</b>	–	<b>477,920</b>
Transfer (out)/in	<b>(440,470)</b>	<b>440,470</b>	–
Decrease due to sales	<b>(25,146)</b>	<b>(51,742)</b>	<b>(76,888)</b>
Loss arising from changes in fair value less costs to sell	<b>(204,814)</b>	<b>(126,918)</b>	<b>(331,732)</b>
Balance as at 30 June 2024 (unaudited)	<b>1,073,710</b>	<b>1,230,810</b>	<b>2,304,520</b>

**10. BIOLOGICAL ASSETS** (Continued)**B – Value of dairy cows and goats** (Continued)

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

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Dairy goats	–	17,486
	<b>Lambs and young goats</b>	<b>Milkable goats</b>
	<i>RMB'000</i>	<i>RMB'000</i>
		<b>Total</b>
		<i>RMB'000</i>
Balance as at 1 January 2023 (audited)	5,840	22,761
Increase due to raising (feeding costs and others)	8,798	–
Transfer (out)/in	(1,260)	1,260
Decrease due to sales	(524)	(588)
Loss arising from changes in fair value less costs to sell	(7,465)	(11,336)
Balance as at 31 December 2023 and 1 January 2024 (audited)	5,389	12,097
Increase due to raising (feeding costs and others)	<b>7,112</b>	–
Transfer (out)/in	<b>(1,299)</b>	<b>1,299</b>
Decrease due to sales	<b>(204)</b>	<b>(1,883)</b>
Loss arising from changes in fair value less costs to sell	<b>(2,023)</b>	<b>(3,156)</b>
Disposal of a subsidiary (note 16)	<b>(8,975)</b>	<b>(8,357)</b>
Balance as at 30 June 2024 (unaudited)	–	–



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### 10. BIOLOGICAL ASSETS (Continued)

#### 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 2024 (unaudited)	<b>2,304,520</b>
As at 31 December 2023 (audited)	2,252,706

As at 30 June 2024, the biological assets of RMB389,207,000 (31 December 2023: RMB391,283,000 (audited)) was pledged for the interest-bearing bank borrowings.

### 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 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 1 month	<b>512</b>	82,563
1 to 2 months	–	30
	<b>512</b>	82,593

## Notes to Interim Condensed Consolidated Financial Information

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### 12. CASH AND CASH EQUIVALENTS

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>629,003</b>	589,126
Time deposits	<b>498,503</b>	478,371
	<b>1,127,506</b>	1,067,497
Less: Non-pledged time deposits with maturity of more than three months when acquired	<b>(73,473)</b>	(70,882)
Restricted cash	<b>(16,236)</b>	(37,547)
Cash and cash equivalents	<b>1,037,797</b>	959,068

### 13. TRADE AND BILLS PAYABLES

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

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 2 months	<b>258,514</b>	345,871
2 to 6 months	<b>78,621</b>	97,912
6 to 12 months	<b>19,611</b>	12,499
Over 1 year	<b>19,112</b>	20,320
	<b>375,858</b>	476,602

## Notes to Interim Condensed Consolidated Financial Information

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### 14. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Deferred revenue	453,640	405,737
Contract liabilities	642,046	764,825
Other payables – construction	186,000	192,865
Other payables – equipment and materials	41,081	48,556
Others	126,893	136,856
	<b>1,449,660</b>	1,548,839
<b>Non-Current Portion</b>		
Deferred revenue	<b>(431,401)</b>	(384,028)
	<b>1,018,259</b>	1,164,811

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

Deferred revenue 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 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<b>406,897</b>	406,897
Issued and fully paid:		
4,690,496,400 ordinary shares of HK\$0.01 each	<b>37,674</b>	37,674

**16. DISPOSAL OF A SUBSIDIARY****For the Reporting Period**

On 30 June 2024, the Group disposed of its entire equity interests in Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd\* (陝西瑞祥誠達牧業有限公司), a wholly-owned subsidiary to an independent third party at an aggregate consideration of RMB50,200,000.

	<i>RMB'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	4,865
Trade receivables	32
Biological assets	17,332
Inventories	1,040
Cash and cash equivalents	10,804
Trade and bills payables	(2,225)
Other payables and accruals	(411)
Lease liabilities	(315)
	<u>31,122</u>
The net assets disposed of	<u>31,122</u>
Gain on disposal of a subsidiary:	
Consideration	50,200
The net assets disposed of	(31,122)
	<u>19,078</u>
Gain on disposal	<u>19,078</u>
Net cash inflow arising on disposal:	

	<i>RMB'000</i>
Cash consideration	50,200
Less: consideration has not yet been settled and included in other receivables	(30,200)
cash and cash equivalents disposed of	(10,804)
	<u>9,196</u>

\* for identification purposes

## Notes to Interim Condensed Consolidated Financial Information

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### 17. COMMITMENTS

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Plant and machinery	<b>69,134</b>	75,465

### 18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the reporting period:

	<b>For the six months ended 30 June</b>	
	<b>2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Sale of raw milk to the ultimate holding company	<b>1,166,091</b>	1,058,572
Purchase of milk powder from an associate of the ultimate holding company	–	600

(b) Other transaction with related parties:

As at 30 June 2024, the vice president of the Group's fellow subsidiary (31 December 2023: Group's former chief executive officer) and his wife have provided guarantees to certain of the Group's bank loan facilities up to RMB831,000,000 (31 December 2023: RMB875,000,000 (audited)), of which an amount of RMB480,026,000 (31 December 2023: RMB574,346,000 (audited)) has been utilised.

As at 30 June 2024, a director of a subsidiary and his wife have provided guarantees to the Group's bank loan facilities up to RMB100,000,000 (31 December 2023: Nil (audited)), of which an amount of RMB44,977,000 (31 December 2023: Nil (audited)) has been utilised.

(c) Outstanding balances with related parties:

The Group had an outstanding balance of contract liabilities due to China Feihe Limited (included in other payables and accruals) amounting to RMB642,046,000 (unaudited) as at 30 June 2024 (31 December 2023: RMB764,825,000 (audited)).

**18. RELATED PARTY TRANSACTIONS** (Continued)

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short term employee benefits	4,310	2,492
Post-employment benefits	385	276
Equity-settled share option expense	–	1,381
Total compensation paid to key management personnel	<b>4,695</b>	4,149

**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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank borrowings	<b>1,169,976</b>	1,347,676	<b>1,162,453</b>	1,346,980

Management has assessed that the fair values of cash and cash equivalents, time deposits, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills 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 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 interest-bearing bank borrowings as at 30 June 2024 were assessed to be insignificant.

The fair value of the structured deposit is determined in accordance with discounted cash flow analysis.

## Notes to Interim Condensed Consolidated Financial Information

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

(Continued)

#### 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			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
At 30 June 2024 (unaudited)				
Interest-bearing bank borrowings	–	1,162,453	–	1,162,453
At 31 December 2023 (audited)				
Interest-bearing bank borrowings	–	1,346,980	–	1,346,980

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 (31 December 2023: Nil (audited)).

During the Reporting 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 both financial assets and financial liabilities (year ended 31 December 2023: Nil (audited)).